

1 APPEARANCES: (CONT'D)

2 OFFICE OF THE ATTORNEY GENERAL, by
3 MS. KAREN L. LUSSON,
4 MS. SUSAN L. SATTER and
5 MS. CATHY C. YU
6 100 West Randolph Street, 11th Floor
7 Chicago, Illinois 60601
8 Appearing on behalf of the People of
9 the State of Illinois;

10 HINSHAW & CULBERTSON, LLP, by
11 MR. EDWARD R. GOWER
12 400 South Ninth Street, Suite 200
13 Springfield, Illinois 62701
14 Appearing on behalf of Metra;

15 BALOUGH LAW OFFICES, LLC, by
16 MR. RICHARD C. BALOUGH and
17 MS. CHERYL DANCEY BALOUGH
18 One North LaSalle Street, Suite 1910
19 Chicago, Illinois 60602
20 Appearing on behalf of the CTA;

21 MS. JULIE SODERNA, MS. KRISTIN MUNSCH,
22 MS. CHRISTIE HICKS and ORIJIT GHOSHAL
309 West Washington Street, Suite 800
Chicago, Illinois 60606
Appearing on behalf of CUB;

MR. RONALD D. JOLLY
30 North LaSalle Street, Suite 1400
Chicago, Illinois 60602
Appearing on behalf of the City of Chicago;

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19

20

21

22

1 APPEARANCES: (CONT'D)

2 LUEDERS, ROBERTSON & KONZEN, by
3 MR. ERIC ROBERTSON and
4 MR. CONRAD R. REDDICK
5 P.O. Box 735
6 1939 Delmar Avenue
7 Granite City, Illinois 62040
8 -and
9 MR. CONRAD R. REDDICK
10 1015 Crest Street, Wheaton, Illinois 60189
11 Appearing on behalf of the Illinois
12 Industrial Energy Consumers;

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14
15
16
17
18
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20

21 MR. ALAN JENKINS
22 2265 Roswell Road
Marietta, Georgia 30062
Appearing on behalf of the Commercial Group;

MR. JOHN B. COFFMAN
871 Tuxedo Boulevard
St. Louis, Missouri 63119
Appearing on behalf of AARP.

SULLIVAN REPORTING COMPANY, by
Carla Camiliere, CSR
Amy Spee, CSR, RPR

1	<u>I N D E X</u>					
2	<u>Witnesses:</u>	<u>Direct</u>	<u>Cross</u>	<u>Re-direct</u>	<u>Re-cross</u>	<u>By Examiner</u>
3	JOHN HENGTTGEN					
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1	<u>E X H I B I T S</u>		
2	<u>Number</u>	<u>For Identification</u>	<u>In Evidence</u>
3	COMED		
	#8.0		232
4	With attachments		
	8.1 TB AND 8.2 TB		232
5	16.0		232
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6	16.1 THROUGH 16.1,25.0		232
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7	25.1		232
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8	#5.0,5.1,5.2,	315	324
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10	AG/AARP		
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1 JUDGE SAINSOT: By the authority vested in me
2 by the Illinois Commerce Commission, I now call
3 Docket No. 11-0721.

4 It is the matter of the Commonwealth
5 Edison Company. It concerns tariffs and charges
6 submitted pursuant to Section 16-108.5.

7 Will the parties identify themselves
8 for the record, please.

9 MR. BERNET: On behalf of Commonwealth Edison
10 Company, Richard Bernet, 10 South Dearborn, Suite
11 4900, Chicago, 60603, (312) 394-3623.

12 MR. RIPPIE: And also on behalf of Commonwealth
13 Edison, Glenn Rippie, John Ratnaswamy and Carmen
14 Fosco of Rooney, Rippie and Ratnaswamy, 350 West
15 Hubbard, Suite 430, Chicago, 60654, (312) 447-2800.

16 MR. FEELEY: Representing the Staff of the
17 Illinois Commerce Commission, John Feeley, John
18 Sagone, Jessica Cardoni and Megan MacNeal, Office of
19 General Counsel, 160 North LaSalle Street, Suite
20 C-800, Chicago, Illinois.

21 MS. LUSSON: On behalf of the People of the
22 State of Illinois, Karen Lusson, Susan Satter and

1 Cathy Yu, 100 West Randolph, 11th Floor, Chicago,
2 Illinois 60601.

3 MS. HICKS: On behalf of the Citizens Utility
4 Board, Christy Hicks and Kristin Munsch, 309 West
5 Washington, Chicago, Illinois 60606.

6 MR. JENKINS: Good morning, on behalf of the
7 Commercial Group, Alan Jenkins, 2265 Roswell Road,
8 Marietta, Georgia.

9 MR. COFFMAN: Appearing on behalf of AARP, John
10 B. Coffman, 871 Tuxedo Boulevard, St. Louis
11 Missouri, 63119.

12 MR. BALOUGH: Appearing on behalf of the
13 Chicago Transit Authority, Richard Balough, Cheryl
14 Dancey Balough, Balough Law Offices, LLC, 1 North
15 LaSalle Street, Chicago, Illinois 60602,
16 (312) 419-0000.

17 MR. ROBERTSON: Appearing on behalf of the
18 Illinois Industrial Energy Consumers, Eric Robertson,
19 Lueders, Robertson, Townsend, PO Box 735, 1939
20 Delmar, Granite City, Illinois 62040.

21 JUDGE SAINSOT: Any further appearances?

22 Before we go on the record, I have a

1 scheduling announcement, Mr. Rippie informs me that
2 Ms. Blaise may be a little late, so Mr. Jenkins has
3 testimony, for which there is no cross, that would be
4 a good time, right after the first witness, would be
5 a good time to introduce that.

6 If anybody else has evidence like
7 that, that might be a good time. I won't hold you
8 to it, but it might be a good time filler for a few
9 minutes.

10 Okay. You can proceed, Mr. Rippie.

11 MS. LUSSON: Judge, can I ask one clarifying
12 question, for all of our witnesses, do you want paper
13 copies of their testimony for the record?

14 JUDGE SAINSOT: Right. We'll plant trees
15 later.

16 MR. RATNASWAMY: Good morning, your Honors,
17 Commonwealth Edison Company calls Mr. John Hengtgen
18 as its next witness.

19 JUDGE SAINSOT: Raise your right hand, please.

20

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22

1 (Witness sworn.)

2 JOHN HENGTGEN,

3 called as a witness herein, having been first duly
4 sworn, was examined and testified as follows:

5 DIRECT EXAMINATION

6 BY

7 MR. RATNASWAMY:

8 Q Mr. Hengtgen, could you please state your
9 name and spell your last name for the record.

10 A John Hengtgen; H-e-n-g-t-g-e-n.

11 Q What is your business address please.

12 A 1708 Freedom Court, Mount Prospect,
13 Illinois 60056.

14 Q And by whom are you employed?

15 A I'm a consultant working for SFIO
16 Consulting.

17 Q Could you spell that please.

18 A S-F-I-O Consulting.

19 Q Thank you.

20 For purposes of the proceeding which
21 you have just been called as a witness, did you
22 prepare direct testimony, the narrative portion of

1 which was identified as ComEd Exhibit 8.0, and having
2 two attachments ComEd Exhibit 8.1 TB and ComEd
3 Exhibit 8.2 TB?

4 A Yes.

5 Q And was that testimony and its attachments
6 prepared by you or prepared under your direct
7 supervision and control?

8 A Yes, it was.

9 Q And subject to any revisions or updates or
10 corrections that may have been made in your rebuttal
11 testimony or your surrebuttal to which we will refer
12 in a few moments, if I were to ask you the questions
13 that appear in your direct testimony, would your
14 answers be the same today and would they be true and
15 correct?

16 A Yes.

17 Q Thank you.

18 Did you also prepare or cause to be
19 prepared under your direct supervision and control
20 rebuttal testimony consisting of narrative testimony
21 ComEd Exhibit 16.0 with six attachments, ComEd
22 Exhibits 16.1, 16.2, 16.3, 16.4, 16.5 and 16.6?

1 A Yes, I did.

2 Q And subject to any revisions or updates or
3 corrections that may have been done in your
4 surrebuttal testimony, if I were to ask you the
5 questions that appear in your rebuttal testimony,
6 would your answers today be the same and would they
7 be true and correct?

8 A Yes.

9 Q Finally, did you also prepare or cause to
10 be prepared under your direct supervision and control
11 surrebuttal testimony, the narrative portion which
12 has been identified as ComEd Exhibit 25.0 with one
13 attachment identified as ComEd Exhibit 25.1?

14 A Yes.

15 Q And if I were to ask you the questions that
16 appear in that narrative testimony today, would your
17 answers be the same and would they be true and
18 correct?

19 A Yes, they would.

20 Q Thank you.

21 MR. RATNASWAMY: I'm not sure, do you want me
22 to repeat all the numbers?

1 JUDGE SAINSOT: No. You know what, I'll do
2 that later.

3 MR. RATNASWAMY: Thank you.

4 JUDGE SAINSOT: Just for the record --

5 MR. RATNASWAMY: In that case, your Honor, I
6 would offer the afore-mentioned exhibits.

7 JUDGE SAINSOT: Thank you.

8 MR. RATNASWAMY: Subject to the offering of
9 those exhibits, I tender Mr. Hengtgen for
10 examination.

11 JUDGE SAINSOT: Is there any objection to
12 the admission of ComEd 8.0 with Attachments 8.1 TE
13 and 8.2 TE, (sic) and ComEd Exhibit 16.0 with
14 Attachments 16.1 through 16.6. And, finally, ComEd
15 Exhibit 25.0 with Attachment 25.1? -- excuse me.
16 It's "TB" as in tuberculosis, not "TE."

17 Hearing none, your motion is granted,
18 Counsel.

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1 (Whereupon, ComEd Exhibits 8.0
2 with Attachments 8.1 TB and 8.2
3 TB, Exhibit 16.0 with
4 Attachments 16.1 through 16.6,
5 and Exhibit 25.0 with
6 Attachment 25.1 were admitted
7 into evidence.)

8 MR. FEELEY: Your Honor, I have some
9 cross-examination and we are scheduled for
10 20 minutes, and it's probably less than 10.

11 CROSS EXAMINATION

12 BY

13 MR. FEELEY:

14 Q Good morning, Mr. Hengtgen. My name is
15 John Feeley and I represent the Staff.

16 A Good morning.

17 Q Looking at your rebuttal testimony, if you
18 could turn to that. Page 18.

19 A I'm there.

20 Q Mr. Hengtgen, do you agree on Page 18 of
21 your rebuttal testimony at Lines 389 to 392, you
22 testify that if the Commission approves Staff's

1 methodology that lead days for pass-through taxes
2 calculated based on their due date would not reflect
3 ComEd's true cash-working capital requirement?

4 A That's correct.

5 Q Mr. Hengtgen, in your opinion, who should
6 get to decide ComEd's true cash-working capital
7 requirement, ComEd or the Commission?

8 A Well, I believe the Commission probably
9 should make that decision.

10 Q Okay.

11 A I just prepared the analysis based upon how
12 ComEd makes the payments.

13 Q But my question is, in your opinion, who
14 should get to decide ComEd's true cash-working
15 capital, ComEd or the Commission?

16 A Well, I think actually both.

17 Q Both?

18 A Yeah, ComEd prepared the cash-working
19 capital analysis, and then it's either rejected or
20 approved by the Commission.

21 Q Okay. So if both don't agree, then who
22 gets to decide which is ComEd's true cash-working

1 capital requirement?

2 A The Commission would.

3 Q All right. Thank you.

4 Do you agree that on Page 14 of your
5 rebuttal testimony at Lines 295 to 297, you testify
6 that according to state statute ComEd's energy
7 assistance charges are due by the 20th day of the
8 month following the month of election?

9 A That's correct.

10 Q Okay. Hypothetically, if ComEd decided for
11 some purposes or convenience to pay pass-through
12 taxes or some other expense a year earlier than
13 required, would you expect the Commission to include
14 a full year in base calculation?

15 A Based upon your example, probably not, no.

16 Q On Page 19 of your rebuttal testimony, you
17 talk about -- Line 389 to 408 -- so on Page 19 of
18 your rebuttal testimony, you talk about ComEd
19 considering a change to its payment procedures if the
20 Commission accepts Staff's methodology for
21 cash-working capital.

22 Do you see that testimony?

1 A Yes, it starts on Page 18.

2 JUDGE SAINSOT: What page are you on?

3 THE WITNESS: Did you say, Line 389?

4 BY MR. FEELEY:

5 Q 389 to 408.

6 A Yes, I am there. Right, it's Page 18 and

7 19.

8 Q You talk about ComEd considering a change

9 to its payment procedures if the Commission accepts

10 Staff's methodology for cash-working capital?

11 A Right.

12 Q Do you agree that as a part of Staff's

13 recommendation for the calculation of cash-working

14 capital related to pass-through taxes, lead days,

15 Staff did not include a recommendation that ComEd

16 change its internal procedures relating to the

17 payment of pass-through taxes?

18 A I agree with that.

19 Q Do you agree that in ComEd's last rate

20 case, Docket 10-0467, the Commission approved zero

21 lag days for energy assistance and renewable energy

22 charges in gross receipts municipal utility taxes?

1 A Yes.

2 Q Following that order, if you know, did
3 ComEd change its internal procedures relating to
4 payment of pass-through taxes as a result of that
5 decision?

6 A No, I indicated that in my surrebuttal
7 testimony.

8 Q Do you know whether ComEd has sought
9 approval to change its remittance schedules with the
10 various taxing authorities that collect energy
11 assistance and renewable energy charges and gross
12 receipts on municipal utility taxes?

13 A I don't know for certain, but I think that
14 has not occurred, correct.

15 MR. FEELEY: That's all I have, Mr. Hengtgen.
16 Thank you very much.

17 JUDGE SAINSOT: Ms. Lusson?

18 CROSS-EXAMINATION

19 BY

20 MS. LUSSON:

21 Q Thank you.

22 Good morning, Mr. Hengtgen.

1 A Good morning.

2 Q Now, you're the witness who proposes
3 ComEd's cash-working capital requirements to be
4 included in rate base for purposes of the initial
5 formula rate period; is that correct?

6 A That's correct.

7 Q And would you agree cash-working capital is
8 the amount of additional capital investment either
9 positive or negative that's required to sort of
10 bridge the gap between when ratepayers pay for
11 service and when ComEd must pay its employees,
12 vendors and taxing authorities for the cost to
13 provide service?

14 A It's -- that's a simple description of it,
15 but it's the cash inflows and outflows for the
16 company, yes.

17 Q And is it correct that if ComEd collects
18 cash faster from customers than it pays cash to
19 provide service, cash-working capital is negative;
20 and alternatively, if ComEd must pay its suppliers
21 faster than it can collect cash from customers,
22 cash-working capital is positive?

1 A Could you repeat that.

2 Q Sure. I will break it down.

3 JUDGE SAINSOT: Why don't you break it up into

4 two.

5 BY MS. LUSSON:

6 Q Is it correct that if ComEd collects cash

7 faster from customers than it pays cash to provide

8 service, then cash-working capital is negative?

9 A That is correct.

10 Q And, alternatively, if ComEd must pay its

11 supplies faster than it can collect cash from

12 customers, cash-working capital is positive?

13 A Correct.

14 Q And would you agree then, as you've

15 provided in your testimony, that a lead-lag study is

16 performed to measure the timing of cash flows in

17 order to quantify cash-working capital that should be

18 included in rate base?

19 A Yes, correct.

20 Q Among other cash-working capital issues,

21 would you agree that the principal disagreement

22 between you and the AG/AARP Witness Borsch, CUB

1 Witness Smith and IIEC Witness Gorman involves the
2 process ComEd used to calculate the collection lag in
3 the ComEd lead-lag study?

4 A How do you define "primary"? There is
5 several issues. That's probably not the largest
6 dollar-issue, no.

7 Q Okay. But that's one of the issues that
8 those parties disagree with you on how to address?

9 A Yes. Yes, it is.

10 Q And is it correct that these opposing
11 witnesses conclude that the reduction the collection
12 lag or the revenue lag that you're proposing should
13 be made?

14 A Yes.

15 Q If you could turn your attention to your
16 Exhibit 8.2 TB, which is I think attached to your
17 direct testimony.

18 JUDGE SAINSOT: Mr. Hengtgen, it might be
19 helpful if you spoke up a little bit.

20 THE WITNESS: Okay.

21 BY MS. LUSSON:

22 Q I would like to focus -- walk through the

1 methodology you used to calculate the revenue of the
2 collection lag to sort of go through what's being
3 disputed by these witnesses.

4 And first we'll focus on Page 1, which
5 lists the categories of the revenue lag.

6 Do you see that there?

7 A Yes, I do.

8 Q And as I understand your testimony, there
9 are five categories that fall within the revenue lag;
10 is that correct?

11 A Correct.

12 Q And just to clarify, I think at Page 7 of
13 your direct testimony, you find revenue lag as a
14 measurement of the number of days from the date
15 service was rendered by ComEd until the date payment
16 was received by customers and such funds become
17 available to ComEd; is that right?

18 A That's correct.

19 Q And I think you define the term "collection
20 lag" in your direct testimony as the amount of time
21 from the date when ComEd issues a bill to the
22 customer to the date that it receives payment from

1 that customer; is that correct?

2 A Yes.

3 Q Would you agree that the revenue lag

4 dispute in this proceeding is focused on the

5 collection lag piece of the overall revenue lag?

6 A Yes.

7 Q And you've estimated that portion of the

8 revenue lag as comprising 32.34 days; is that

9 correct?

10 A Yes.

11 Q Now, if you look at the next page of that

12 exhibit, you reference the 13-month average

13 receivable balances for the various customer classes.

14 Do you see that at the top?

15 A Yes.

16 Q Is it correct that these are not averages

17 of ComEd's daily outstanding receivables after each

18 day's billings and remittances are processed, but

19 rather are calendar-month end balances that you have

20 averaged?

21 A That is correct.

22 Q Now, if we look at the very first amount

1 listed there, \$209, 965,169, are these the average
2 receivables from residential customers that are
3 30 days outstanding or less?

4 A It would be a 13-month average, that is
5 correct.

6 Q Out of this amount, can you tell how much
7 of this balance is 5 days old, how much is 10 days
8 old, how much is 15 days old, et cetera?

9 A No, that information is not available.

10 Q Now, below that under the column -- if you
11 look at the zero value that appears under the
12 midpoint block of the inputs for the residential zero
13 to 30-day old receivables, do you see that?

14 A Yes.

15 Q What is meant by that zero value?

16 A I have not applied any midpoint to that,
17 I've recognized that as being zero.

18 Q So for that category, you have not done any
19 specific analysis to determine whether the
20 remittances come in, as we said, before 5 days or
21 10 days or 15 days after the bill has been forwarded
22 to the customer?

1 A No, that information is not available.

2 Q Why have you assigned a zero lag day value
3 to all the residential receivables that range in age
4 from zero to 30 days?

5 A Well, the residential customers have a
6 21-day grace period to pay their bills, so I utilized
7 the grace-period concept in this first category for
8 the residential customers.

9 So they -- the normal calculation of a
10 midpoint for that type of interval would be 15 days,
11 that would be 30 minus zero divided by 2, that's the
12 midpoint, and since residential customers have
13 21 days to pay their bill, we have utilized a
14 conservative assumption by recognizing the grace
15 period there, and then since that amount is close to
16 the end of the month, zero was used for that
17 particular category.

18 Q Is it ComEd's view that there is no
19 cash-working capital requirement associated with the
20 nearly \$210 million of average residential accounts
21 receivables that are less than 30-days old?

22 A No.

1 Q And how did you determine that 45 is the
2 correct collection lag day value to assign to the
3 residential receivables that range from 31 to 60 days
4 old?

5 A That would be after the first interval, the
6 midpoint for that aging interval was used, so 60
7 minus 31 divided by 2 is 45.

8 Q So there's no specific assessment, again,
9 of accounts receivables for that 31- to 60-day
10 period?

11 A Could you repeat or rephrase that question
12 please.

13 Q Sure.

14 So there was no specific evaluation or
15 statistical analysis of the timing of remittances
16 during that 31- to 60-day period?

17 A No, there was not. There is -- that type
18 of information is not available.

19 Q Now, I notice that there is no receivables
20 listed in excess of 365 days old for any customer
21 class.

22 Does ComEd actually have receivables

1 that are older than 365 days?

2 A Yes, they do.

3 Q So these are omitted from your analysis, as

4 I understand it, to add conservatism?

5 A That's correct.

6 Q And if you look at the SC-1, zero to 30

7 category of receivables, can you explain how you

8 calculated the 8-lag day value assigned to that

9 block.

10 A Sure.

11 Those customers have 14 days to pay

12 their bills, it's a grace period. And so what I did

13 in that group was to reflect the midpoint after the

14 grace period ended, so 30 minus 14 divided by 2 would

15 give you 8.

16 Q Okay. So, again, that reflects a midpoint,

17 as opposed to some statistical analysis of

18 receivables?

19 A That is correct.

20 Q And why is 8 days valid for SC-1

21 receivables while you used zero days for residential

22 receivables?

1 A Well, for two reasons:

2 There's different grace periods for
3 residential versus SC-1.

4 And then the process that I used in
5 this particular case was what was approved in ComEd's
6 last rate case.

7 Q And when you're referencing, just to
8 clarify for the record, when you're referencing grace
9 periods, are you referring to the amount of time that
10 customer has to pay the bill?

11 A Yes.

12 Q So if we look in your work papers or in
13 this exhibit, there isn't any detailed data or
14 analysis presented to show that 8 days is more
15 accurate than, say, 12 days or any other days in that
16 zero to 30-day interval for SC-1 customers?

17 A There is nothing in the work papers that
18 would allude to that, no.

19 Q So when you referenced the midpoint caption
20 on this exhibit, is it meant to summarize the fact
21 that in general you calculated the mathematical
22 average of the range of days and have assumed without

1 further analysis that all of the receivables in each
2 interval are exactly as old as the midpoint?

3 A Could you repeat that one time.

4 Q Sure.

5 So when you referenced a midpoint
6 caption there in the middle of that page on this
7 table of data, is it meant to summarize the fact that
8 in general, you've calculated the simple mathematical
9 average of the range of days and have assumed without
10 further study that all of the receivables in each
11 interval are exactly as old as the midpoint?

12 A I don't think that's quite the assumption
13 that I made, no.

14 Q Would you like to elaborate why you
15 disagree with that?

16 A Well, basically, we don't know that
17 payments come in at all points in time during the
18 course of a month, and you need to use some
19 assumption to make these calculations work, so since
20 the Company does not know the actual dispersion of
21 all the payments during the month, the grace period
22 and the midpoint assumptions were used.

1 Q Okay. So then, in fact, you did choose the
2 midpoint by computing that mathematical average that
3 I referenced in that question, didn't you?

4 A Yes. I mean, we actually calculate the
5 value there, yes.

6 Q Now, you also indicate or list zero for the
7 railroad, street lighting and public authority groups
8 as the number of days in that zero- to 30-interval in
9 terms of the receivables.

10 Can you explain why that is?

11 A Yes, like the other classes, they have a
12 grace period, too. Those particular ones they
13 mentioned the payments aren't due for 60 days.

14 Q And you, yourself, did not make any
15 specific analysis as to whether or not any of those
16 customer groups remits their payments prior to the
17 grace period deadline, did you?

18 A No, I did not.

19 Q And sitting here today, you aren't aware of
20 any statistical regularity in the remittance of
21 receivables on any defined basis for that period, are
22 you; in other words, that maybe they come in at

1 63 days versus 68 days? Have you done that
2 assessment?

3 A No, I have not.

4 Q Then when we get to government, we see
5 another different set of assumptions regarding
6 midpoints.

7 Again, when a zero midpoint is listed
8 there, is that because there is the longer grace
9 period for that category --

10 A Yes.

11 Q -- that age interval?

12 A Yes, they have 45 days to pay, so there
13 wouldn't be anything if you use the grace period for
14 the first interval.

15 Q Then when you reference an 8 in the 31 to
16 68 age interval, that again, reflects the midpoint of
17 that age interval?

18 A After the grace period expires, yes.

19 Q Now, you've indicated in response to some
20 of my questions that the reason you haven't done any
21 kind of specific analysis as to when remittances come
22 in is -- I think I heard you say, is because the data

1 isn't available.

2 Is that your testimony?

3 A That's correct.

4 Q And when you say "the data isn't
5 available," has ComEd ever attempted to, perhaps,
6 perform a statistical analysis that would take a
7 sample of the remittances from each of these customer
8 classes in each of these aging intervals to try to
9 determine more specifically when the receivables come
10 in?

11 A I'm not aware that any of that work has
12 been done, no.

13 Q And that is possible, isn't it, to perform
14 a statistical sample, assuming ComEd objects to a
15 laborious calculation of every single account
16 receivable?

17 A Certainly anything is possible, but the
18 data that is currently available in the reports and
19 in the IT programs that ComEd utilizes on a
20 day-to-day, week-to-week, month-to-month basis, that
21 information is not available.

22 Q And is this a problem in terms of an IT

1 issue common to all utilities?

2 A Well, I don't have a lot of experience with
3 many other utilities, so I really can't answer that.
4 But I do know a lot of utilities use this interval
5 approach, yes.

6 Q And would you agree that other utilities
7 use different approaches, such as the ones
8 recommended by Mr. Brosch?

9 A I'm not aware of any that did that, but I
10 know Mr. Brosch has testified to that, yes.

11 Q Just so I'm clear, is it your testimony
12 that it is impossible for ComEd, even if ordered by
13 this Commission, to perform a statistical analysis of
14 when remittances from customers come in the various
15 customer-class categories and in the various aging
16 intervals?

17 A Well, what kind of statistical analysis are
18 you talking about?

19 Certainly, they could probably look at
20 five payments and make that determination, but I'm
21 not sure what that -- what benefit that would be.

22 They don't have to do a statistical

1 sample and that's appropriate; the information is not
2 available.

3 Now, if they're ordered to do it, I
4 would presume that they would do it going forward.

5 Q Okay. If you would please turn to Page 5
6 of your surrebuttal testimony.

7 At Line 88, you reference Mr. Brosch's
8 concerns about ComEd using an accounts receivable
9 aging analysis that relies on midpoints.

10 Do you see that testimony?

11 A Yes, that's my understanding, correct.

12 Q And I think, based on the exhibit we just
13 were focused on, is it correct that the average
14 monthly receivables are, in fact, broken into groups
15 that are each about 30 days wide?

16 MR. RATNASWAMY: I'm sorry, what was the last
17 word you said, "wide"?

18 MS. LUSSON: "Wide." Perhaps, "long" is the
19 better word.

20 THE WITNESS: The answer, that's partially
21 true. There is a couple of tail-end intervals that
22 have a wider number of days.

1 BY MS. LUSSON:

2 Q And with respect to the grace periods that
3 are a concern to Mr. Brosch, were assumptions
4 employed by you to quantify the impact of the grace
5 periods for residential customers or have you
6 analyzed grace periods to quantify an impact?

7 A I'm sorry. Could you just repeat that.

8 Q Sure.

9 With respect to the grace periods that
10 Mr. Brosch takes issue with in his testimony, were
11 assumptions employed by you to quantify specifically
12 the impact of those grace periods for residential
13 customers in each customer class?

14 JUDGE SAINSOT: Ms. Lusson, I'm not sure what
15 you mean by "quantify."

16 Can you define that. That might help
17 the witness.

18 BY MS. LUSSON:

19 Q Have you done any specific analysis to
20 determine how grace periods impacts, for example, the
21 quantification of your midpoint or is that one of the
22 assumptions that you use in determining whether or

1 not to include that aging interval in the lead-lag
2 study or to use the midpoint?

3 A I think I know what you're trying to get
4 at, it's purely -- the midpoint is calculated
5 assuming an assumption of the grace periods,
6 utilizing the grace periods for the first -- for the
7 most part for the first two intervals. I did not do
8 any additional analysis other than that.

9 And then also, just to clarify, I
10 think Mr. Brosch, in his rebuttal -- or in his direct
11 testimony, was criticizing the grace periods. Then I
12 think he may have said that the grace periods were
13 okay in his rebuttal.

14 Q Would you agree that the 13-month average
15 receivable balances used in your work papers, you
16 include customer receivables that will be collected
17 by ComEd, as well as customer accounts receivables
18 that will prove to be uncollectible?

19 A That's correct.

20 Q If you know, does ComEd, under generally
21 accepted accounting principles, record or reserve for
22 estimated uncollectibles on its books that is then

1 reported as a reduction to the total account
2 receivable balance that appears on public financial
3 statements?

4 A That may be beyond my testimony here, but
5 I'm pretty sure that that's a true statement.

6 Q Now, at Line 96 of Page 5 of your
7 surrebuttal testimony, you reference recent
8 Commission practice regarding acceptance of midpoint
9 assumptions.

10 Do you see that?

11 A At Line 96 and 97, is that what you're
12 referencing?

13 Q Yes.

14 A Yes, I am there.

15 Q Is it your opinion that the Commission's
16 prior rate orders should never be challenged by
17 either the Utility, Staff or Intervenor when
18 concerns exist about how things were done in the
19 past?

20 A Certainly not, no. I agree.

21 Q And it's true, isn't it, that you,
22 yourself, are recommending changes in the lead-lag

1 study that propose to change the Commission's
2 treatment of several revenue tax items as you've
3 described in your direct testimony?

4 A That's correct. That was part of my
5 previous response that I had responded.

6 Q You're familiar, aren't you, because I
7 think you were the witness in Docket 10-0467,
8 generally with the dispute regarding ComEd's
9 collection lag calculation in that docket?

10 MR. RATNASWAMY: He was not the witness.

11 MS. LUSSON: Okay. I thought we had met
12 before.

13 MR. RATNASWAMY: It was Mr. Subbakrishna.

14 MS. LUSSON: Okay. I'm confusing the
15 utilities.

16 BY MS. LUSSON:

17 Q Are you generally familiar with the dispute
18 in that case?

19 A Yes, generally familiar. I wasn't involved
20 in the case, as Mr. Ratnaswamy said, but I reviewed
21 some testimony in the Commission's order, yes.

22 Q Okay. Given those concerns about the

1 revenue collection lag in that case, is it possible
2 that some alternative method to calculate this lag
3 value could be found that's more acceptable and
4 reasonable among all of the parties, and that could
5 be used without controversy in future formula rate
6 proceedings?

7 A Yes, I suppose that's possible.

8 Q I'm trying to evaluate what the impact on
9 cash-working capital allowance is, for example, a
10 one-day change in the revenue collection lag.

11 And in terms of that calculation, is
12 it correct that if I wanted to calculate it, that it
13 would be 1 over 365 or about 0.27 percent of the
14 total revenue and non-revenue receipts that can be
15 found at Line 7 of your ComEd Exhibit 25.1?

16 A I think you had the formula correct.

17 If the number of lag days changed by
18 1, that would be divided by 365, and I will agree,
19 subject to check, that you made that calculation
20 properly.

21 Q Okay.

22 A Then that would -- that change or that

1 amount would be applied to the dollars that are on
2 Line 7, correct.

3 Q And would you accept, subject to check,
4 that that calculation translates into a one-day
5 change resulting in a \$4. 9 million change in the
6 Company's cash-working capital requirement?

7 A Sure, subject to check.

8 MR. RATNASWAMY: Ms. Lusson, honestly, that
9 doesn't sound intuitive. If the number is 250
10 million in Line 7, it's hard for me to see how a
11 quarter of 1 percent would be 5 million.

12 JUDGE SAINSOT: Does somebody have a
13 calculator?

14 MR. RIPPIE: Yes.

15 JUDGE SAINSOT: Well, 1 percent of 250,000,000
16 would be 2,500,000, so it would be a quarter of that.

17 If I'm doing the math here, we are all
18 in trouble.

19 BY MS. LUSSON:

20 Q Mr. Hengtgen, are you able to perform that
21 calculation?

22 A Not in my head, no.

1 If somebody would give me a
2 calculator, I could do it.

3 Which exhibit are we --

4 Q 25.1, Line 7?

5 A So you're on my surrebuttal testimony?

6 Q Yes.

7 A It won't take long, once I get there.

8 Q Okay. Thank you.

9 A Just before I stop over there, Line 7, the
10 amount of revenues -- and these are in thousands --
11 1,793,133; is that where you're at?

12 Q Yes.

13 MR. RIPPPIE: Here, I'll give you an even bigger
14 one.

15 MS. LUSSON: It's the line of total revenue and
16 non-revenue receipts.

17 MR. RATNASWAMY: You're asking about Column C,
18 not Column F, which is the cash-working capital
19 impact?

20 THE WITNESS: I believe she is, yes.

21 MR. RATNASWAMY: Okay. I'm sorry. I thought
22 you were asking about the last column.

1 JUDGE SAINSOT: So am I right, it's 625
2 million, the number?

3 MS. LUSSON: I don't think so.

4 THE WITNESS: The number, I believe --
5 Ms. Lusson, you had it correct, I believe, it would
6 be about 4.9 million.

7 JUDGE SAINSOT: So I'm way off.

8 MR. RATNASWAMY: Your Honor, that number that
9 you just said would be right for Column F, but she's
10 asking about Column C.

11 MS. LUSSON: I should have clarified.
12 Thank you, Mr. Hengtgen.

13 THE WITNESS: You're welcome

14 BY MS. LUSSON:

15 Q Now, if you would turn to your rebuttal
16 testimony, Page 4, Line 85?

17 A I'm there.

18 Q Now, I'm referencing your discussion of
19 Mr. Brosch's two proposals regarding the collection
20 lag and Mr. Smith makes a proposal similar to that by
21 Mr. Brosch.

22 Do you see that?

1 A Yes.

2 Q Is it correct that if we correctly
3 determine the financial impact of applying the
4 changes in days recommended by those witnesses, that
5 again, you would take the days that they represent
6 reducing the collection lag and multiply that by 4.9
7 million at the impact of what they're recommending?

8 MR. RATNASWAMY: The impact on Column C, which
9 is not the cash-working capital number, Column F is.

10 MS. LUSSEN: With that caveat.

11 THE WITNESS: That would be correct

12 BY MS. LUSSEN:

13 Q With respect to the uncollectible accounts,
14 again, just to clarify, let me -- according to your
15 8.2, the Company is recommending that certain
16 treatment of uncollectibles -- now, in your
17 cash-working capital study, the Company believes that
18 uncollectibles do have an impact on the Company's
19 cash-working capital needs; is that your testimony?

20 A That's correct.

21 Q First, would you agree that ComEd is
22 allowed to include in its revenue requirement and in

1 Rider UF, if applicable, amounts sufficient to
2 recover from paying customers the costs associated
3 with customers that do not pay their bills?

4 A I believe that is correct, yes.

5 Q And when I pay my bill to ComEd, included
6 in my rates is an amount to compensate the Company
7 for the cost to provide service, including the
8 utility's uncollectible expense?

9 A I believe that's correct, yes.

10 Q Is it your belief that when I pay my bill,
11 my payment is slower in getting to the Company for
12 the portion of my check that is reimbursing ComEd for
13 uncollectibles?

14 A No.

15 Q And, in general, when customers who pay
16 their bills are providing revenues to compensate
17 ComEd for its uncollectible expenses, would you agree
18 that those remittances are combined into overall
19 payments with no extra delay or lag for the
20 reimbursed uncollectible portion being paid by
21 customers?

22 A That was kind of a long question. Could

1 you repeat that.

2 Q Would you agree that when customers are
3 paying their bills that those remittances are
4 combined into overall payments with no identifiable
5 delay or lag for the uncollectible portion of that
6 payment?

7 A When a customer pays a bill, as you say,
8 there is -- likely there is a piece of that -- those
9 charges that reflect uncollectible expense, and the
10 receipt by the Company of payment of those amounts,
11 there's no difference between the current charges
12 that aren't uncollectible and the uncollectible
13 expenses that's included in those amounts.

14 Now, the source of that uncollectible
15 expense amount likely is not from current charges, is
16 the way I understand it.

17 Q And you'd agree, too, that uncollectible
18 expense, to the extent it exceeds the amount included
19 in rates, is recovered through Rider UF, at least up
20 to that band that is provided in the statute?

21 A I'm not extremely familiar with Rider UF,
22 so there is probably a better witness for that, but I

1 think that's correct.

2 Q Turning to Page 7 of your surrebuttal
3 testimony. At Line 139, you reference timing of
4 collections, uncollectible collections from other
5 customers, which you state Mr. Brosch does not
6 understand, and mistakenly happens without any impact
7 on the collection lag.

8 Do you see that?

9 A Yes.

10 Q You haven't specifically discussed this
11 matter with Mr. Brosch to determine what he does or
12 does not understand, have you?

13 A I've had no discussions with Mr. Brosch.
14 That's my opinion, based upon his testimony.

15 Q And at Line 171 of your surrebuttal
16 testimony, you reference Ameren's adjustment to its
17 account receivables to give some recognition to its
18 collectibles, even though, as I understand it, you're
19 not a fan of the method they use.

20 Do you see it there?

21 JUDGE SAINSOT: What exhibit is this?

22 MS. LUSSON: Surrebuttal testimony, Line 171.

1 BY MS. LUSSON:

2 Q Do you see that reference?

3 A I see reference to Ameren, but in no way
4 did I make an opinion on their method versus another
5 method. I just said they were different.

6 Q Okay. And have you evaluated that
7 methodology used by Ameren to determine whether in
8 your mind Ameren doesn't understand how
9 uncollectibles should impact account receivables
10 balances used to determine the collection lag?

11 A No, I have not.

12 I mean, Ameren uses a method to
13 determine their own collectable expense, it's the
14 percent of current revenue method.

15 And my testimony here was just
16 pointing out that that is different than what ComEd
17 does.

18 Q And Ameren's method, would you agree, has
19 the effect of reducing the collection lag?

20 A This method we're talking about right here,
21 is just the recording of uncollectible expense. It's
22 not any discussion of their lead-lag study.

1 Q And would you agree, if you know, that that
2 different approach by Ameren has the effect of
3 reducing their cash-working capital requirement?
4 A When they took uncollectible out of their
5 reserve amounts, according to Mr. Brosch, that
6 reduced the uncollectible.
7 I did not review that lead-lag study
8 in any detail, no.
9 Q Okay.
10 MS. LUSSON: Thank you, Mr. Hengtgen.
11 THE WITNESS: You're welcome.
12 JUDGE SAINSOT: CUB, AARP?
13 MS. HICKS: CUB does not have cross for this
14 witness.
15 JUDGE SAINSOT: AARP?
16 MR. COFFMAN: No questions, your Honor.
17 JUDGE SAINSOT: I have a few foundational
18 questions, Mr. Hengtgen.
19 THE WITNESS: Yes, your Honor.
20
21
22

1 CROSS EXAMINATION

2 BY

3 JUDGE SAINSOT:

4 Q Good morning, Mr. Hengtgen.

5 A Good morning.

6 Q First of all, when you were going over this
7 Exhibit 8.2 TB, on the second page, you have a list,
8 a separate listing for public authority in
9 government.

10 What's the difference between the two?

11 A To be honest with you, I'm not exactly
12 sure. These are classifications of customer groups
13 that are used by ComEd in the normal course of
14 business.

15 Q Okay. The other thing that struck me is
16 that, as I'm looking at your columns regarding
17 weighted average collection time by interval, and
18 maybe I'm missing something, but are you saying that
19 the government pays its bills on time?

20 A What that represents is the use of the
21 grace periods in those first categories.

22 Q So, technically, they do?

1 A According to the assumptions I made in the
2 study. There is a conservative assumption, yes.

3 Q Okay. And the other question, I think I
4 had was -- well, just for the record, if you know,
5 when does an account receivable, pursuant to ComEd's
6 method, become an uncollectible, if you know?

7 A I would defer to one of the later witnesses
8 that probably could answer that better than me.

9 Q That's fine.

10 And the other thing that struck me is,
11 these grace periods, do you know when they commence?

12 What I mean by that is, do they
13 commence on the date that the customer -- they start
14 when the customer receives the bill or when ComEd
15 sends the bill out?

16 A It's as simple as when the bill is
17 prepared, say, it's prepared for a residential
18 customer, it's prepared and mailed out, let's say, on
19 the 10th of the month, they have 21 days to pay their
20 bill, so that's a 21-day grace period.

21 So it's the due date of the bill
22 versus the date of the bill.

1 Q Okay. Thank you.

2 A You're welcome.

3 JUDGE SAINSOT: Any redirect?

4 MR. RATNASWAMY: May we have a moment?

5 JUDGE SAINSOT: Sure.

6 (Whereupon, a recess was taken.)

7 JUDGE SAINSOT: You may proceed.

8 MR. RATNASWAMY: Thank you, your Honor.

9 REDIRECT EXAMINATION

10 BY

11 MR. RATNASWAMY:

12 Q You were asked a number of questions about

13 ComEd Exhibit 8.2 TB, the second page.

14 Do you have that handy?

15 A Yes.

16 Q So if I could just direct your attention to

17 Line 3, what is that that's on Line 3?

18 A That's the 13-month average of the

19 residential customers by aging interval.

20 Q So there's a total on the right that's 317

21 million, approximately.

22 Do you see that?

1 A Correct.

2 Q And in the zero to 30 days bucket, if I may
3 call it that, there is a number, that's about
4 210 million.

5 Do you see that?

6 A Correct.

7 Q Does that mean that using a 13-month
8 average, there is, you know, an average by month more
9 than \$100 million due from residential customers that
10 has been due for more than 30 days?

11 A That would be correct.

12 Q Did you prepare in any of your testimonies
13 an alternative version of your lead-lag study where
14 you did not make, what you call, the conservative
15 grace-periods assumption?

16 A Yes, that would be Exhibit 16.1.

17 Q All right. So in Exhibit 16.1, if you
18 eliminate the grace-period assumption, does that
19 increase, have no effect on, or decrease the
20 collection lag?

21 A That increases the collection lag.

22 Q And what's the effect of increase in

1 collection lag on the ultimate cash-working capital
2 requirement?

3 A That would increase the final cash-working
4 capital amount.

5 Q All right. So the final thing I wanted to
6 ask you about is the recovery of uncollectibles.

7 First, with just a hypothetical, not
8 that this would ever happen, but suppose I loan you
9 some money, say \$1,000, and you were supposed to pay
10 it back in a year with interest. Okay.

11 And you didn't pay it back, and
12 someone else later paid me back \$1,000 without any
13 interest; would I have lost the time value of the
14 money?

15 A Yes.

16 Q Okay. So when uncollectibles are recovered
17 in the rider, Rider UF, are they recovered with
18 interest or is the amount that's recovered simply the
19 original principal?

20 A My understanding is it's just the original
21 principal amount.

22 Q So when there is recovery through base

1 rates or through the rider, the time value of the
2 money associated with the unpaid bill is not
3 recovered when uncollectibles are later recovered; is
4 that right?

5 A That is correct.

6 MR. RATNASWAMY: Thank you.

7 I have no further questions.

8 JUDGE SAINOT: Any recross?

9 MS. LUSSEN: Just very briefly.

10 RECROSS EXAMINATION

11 BY

12 MS. LUSSEN:

13 Q Mr. Hengtgen, it's true, isn't it, that
14 when the Company, prior to this formula -- rate
15 formula, when the Company received a new revenue
16 requirement in a rate case, that a test year was used
17 and an amount from uncollectibles was part of that
18 test year, and that amount was determined to be
19 representative of the Company's expected level of
20 uncollectibles going forward; would you agree?

21 A Are you talking a historical test year?

22 Q Yes.

1 In the past, in any rate case, whether
2 it be a future test year or historical test year,
3 that the amount reflected by the Commission in the
4 Company's rates for uncollectibles was meant to be
5 representative of what the Company would incur in
6 uncollectibles, isn't it?

7 A I would say that's true on a future test
8 year, because you're projected out. But in a
9 historical test year, I don't think that's the case.

10 Q Well, if the Company chose a historical
11 test year, that's the Company's choice, isn't it?

12 A They have options, and if they chose that,
13 I assume, that's the Company's choice, yes.

14 Q If they made that choice to use the
15 historical test year that included a certain
16 uncollectibles amount, it is the Company's position
17 that that amount reflected a representative level of
18 uncollectibles expense; would you agree?

19 A It would be based upon historical data.

20 I don't know if that's representative
21 of the amounts going forward or not. You can't make
22 that statement.

1 Q Again, it's the Company choosing that to
2 present to the Commission as its uncollectible
3 expense for that test year and as the basis for
4 setting rates going forward; would you agree?

5 A Yes.

6 Q And, financially, in terms of the
7 alternative study that you provided in your
8 Exhibit 16.1, that alternative study did not
9 still -- strike that -- that alternative study still
10 incorporated midpoint assumptions in terms of the
11 revenue collection lag, didn't it?

12 A Yes.

13 MS. LUSSON: Thank you.

14 MR. RATNASWAMY: Sorry.

15 RE RE DIRECT EXAMINATION

16 BY

17 MR. RATNASWAMY:

18 Q Mr. Hengtgen, could either in historical or
19 a future test year when an uncollectible amount is
20 included in the revenue requirement, is there an
21 added amount for the lost time value money?

22 A No.

1 MR. RATNASWAMY: No further questions.

2 RE RECROSS EXAMINATION

3 BY

4 MS. LUSSON:

5 Q One question.

6 When the Company -- when the

7 Commission ordered a new revenue requirement in each

8 rate case, whether it be a historical or future test

9 year, the Commission assesses the Company's

10 cash-working capital needs; does it not?

11 A If they've requested cash-working capital,

12 yes.

13 Q And that assessment is intended to

14 compensate the Company for the lag in payment between

15 the amount of services that are provided and when

16 revenues are received, correct?

17 A The lag part of that calculation, I believe

18 would be true, yes, that would be true.

19 MS. LUSSON: Nothing further. Thank you.

20

21

22

1 RE RE REDIRECT EXAMINATION

2 BY

3 MR. RATNASWAMY:

4 Q Mr. Hengtgen, under Mr. Brosch's proposal,

5 the cash-working capital requirement would not

6 include the time value lost on uncollectibles, would

7 it?

8 A I don't think so, no.

9 MS. LUSSON: I will object to that question.

10 I don't believe that question followed

11 from the recross that I just --

12 MR. RATNASWAMY: You just --

13 JUDGE SAINSOT: Beyond the scope.

14 MR. RATNASWAMY: May I make my point, Judge,

15 please.

16 Mr. Lusson just asked if the

17 cash-working capital requirement was intended to

18 capture the time valve money. I'm making the point

19 that under Mr. Brosch's proposal, it would not.

20 JUDGE SAINSOT: Okay. Rephrase it like that,

21 and you'll be fine by.

22 BY MR. RATNASWAMY:

1 Q Understanding that in general that the
2 cash-working capital requirement is intended to
3 capture the cash-working capital originally
4 associated with inflows and outflows of cash, under
5 Mr. Brosch's proposal, it would exclude the time
6 value of money associated with uncollectibles; would
7 it not?

8 A Yes.

9 MS. LUSSON: I will object again.

10 I don't see how my question generates
11 Mr. Brosch's proposal. My recross asked Mr. Hengtgen
12 about what a Commission order does in terms of a
13 Company's needed level of cash-working capital.

14 JUDGE SAINSOT: Her point is well-taken, but
15 just rephrase.

16 BY MR. RATNASWAMY:

17 Q If the Commission were to calculate the
18 cash-working capital requirement as it is proposed by
19 the Attorney General and ARRP's witness, would it
20 include or would it not include the time value money
21 associated with uncollectibles?

22 A It would not include.

1 MR. RATNASWAMY: Thank you.

2 JUDGE SAINSOT: Well, I think, Mr. Hengtgen,
3 you can step down.

4 Nothing further, right?

5 MR. RATNASWAMY: Correct.

6 (Witness excused.)

7 JUDGE SAINSOT: What is the situation with
8 Ms. Blaise, as you know?

9 MR. RIPPIE: Your Honors, she is on the road,
10 but another surprising fact for Chicago is that there
11 is traffic. Parties have been consulted, though, and
12 I believe --

13 MR. FOSCO: Not the AG.

14 MR. RIPPIE: Oh, some parties have been
15 consulted, and the question would be whether --

16 MS. LUSSON: Mr. Effron is ready, willing and
17 able to go now.

18 MR. RIPPIE: That's what we can do, just take
19 Mr. Effron now, before Ms. Blaise instead of after.

20 JUDGE SAINSOT: We have what about an hour for
21 Mr. Effron?

22 MR. RIPPIE: That's right.

1 JUDGE SAINSOT: Why don't we take care of
2 Mr. Jenkins, then take a 10-minute break, then
3 Mr. Effron can go on.
4 Is that okay.
5 MR. RIPPPIE: Yes. Thank you.
6 JUDGE SAINSOT: Mr. Jenkins, you can proceed.
7 MR. JENKINS: Thank you.
8 Good morning, your Honors, Alan
9 Jenkins for the Commercial Group.
10 Commercial Group submitted rebuttal
11 testimony of Steve W. Chriss marked as CG
12 Exhibit 1.0, electronically filed on February 24,
13 2012. That includes an Appendix A of his witness
14 qualifications.
15 Commercial Group also submitted the
16 affidavit of Steve W. Chriss, marked as CG
17 Exhibit 2.0, electronically filed on March 5, 2012 in
18 which Mr. Chriss avers that CG Exhibit 1.0 is true
19 and correct.
20 We respectfully move that the CG
21 Exhibits 1.0 and 2.0 be read into the record as if
22 given orally from the stand.

1 JUDGE SAINSOT: Any objection to the admission
2 CG Exhibit 1.0, with an appendix, and 2.0, which is
3 Mr. Chriss' affidavit.
4 (No response.)
5 Hearing none, your motion is granted,
6 Mr. Jenkins.
7 MR. JENKINS: Thank you.
8 (Whereupon, Commercial Group
9 Exhibit Nos. 1.0 and 2.0
10 admitted into evidence.)
11 JUDGE SAINSOT: Why don't we come back at 5 to
12 11:00 o'clock, and then we can put Mr. Efron on.
13 (Whereupon, a recess was taken.)
14 JUDGE SAINSOT: Back on the record.
15 (Witness sworn.)
16 DAVID J. EFFRON,
17 called as a witness herein, having been first duly
18 sworn, was examined and testified as follows:
19 DIRECT EXAMINATION
20 BY
21 MS. YU:
22 Q Would you state your name for the record,

1 please.

2 A David J. Effron.

3 Q On whose behave are you filing testimony
4 today?

5 A The People of State of Illinois,
6 represented by the Attorney General.

7 Q And did you prepare documents that I'm
8 identifying as Revised Direct Testimony of David J.
9 Effron, AG/AARP Exhibits 2.0, 2.1 and 2.2, and also
10 rebuttal testimony of David J. Effron, AG/AARP
11 Exhibits 4.0 and 4.1?

12 A Yes, I did. And just to clarify my last
13 answer, and also AARP.

14 Q Yes. Sorry.

15 Were these documents prepared by you
16 or under your direction and control?

17 A Yes, they were.

18 Q Do you want to make any changes or
19 corrections to these documents?

20 A I do not have any changes.

21 Q If I were to ask you the questions in these
22 documents today, would your answers be the same?

1 A Yes, they would.

2 Q Are your answers true and correct to the
3 best of your information and knowledge?

4 A Yes, they are.

5 MS. YU: At this time, I would like to offer
6 these documents into the record.

7 JUDGE SAINSOT: For the record, these are
8 AG/AARP 1.0, 1.1, 4.1 and 4.0?

9 MS. YU: AG/AARP Exhibits 2.0, 2.1 and 2.2, and
10 then AG/AARP 4.1 and 4.0, and here are the copies.

11 JUDGE SAINSOT: Thank you.

12 MS. YU: At this time, I would like to offer
13 Mr. Effron for cross.

14 JUDGE SAINSOT: Okay. Just for the record, are
15 there any objections to the admission of the
16 aforementioned documents?

17 (No response.)

18 That being said, your motion is
19 granted, Counsel.

20

21

22

1 (Whereupon, AG/AARP Exhibit
2 Nos. 2.0, 2.1 and 4.0, 4.1 was
3 admitted into evidence.)
4 JUDGE SAINSOT: Who would like to be the person
5 to cross-examine.
6 MR. RATNASWAMY: We are the only party.
7 CROSS EXAMINATION
8 BY
9 MR. RATNASWAMY:
10 Q Good morning, Mr. Effron.
11 A Good morning, Mr. Ratnaswamy.
12 Q Thank you for the pronunciation.
13 The first thing I want to ask you
14 about is the accumulated deferred income taxes bad
15 debt reserve issue.
16 First, I would like to start with some
17 very general questions.
18 Is it correct that a utility's rate
19 base is the result of a calculation that has a large
20 number of components?
21 A There are several components to it.
22 Whether it's large is probably a matter of judgment,

1 but there are several components.

2 Q Accumulated deferred income taxes is one of
3 those components, yes?

4 A Yes.

5 Q Accumulated deferred income taxes itself
6 has different pieces, if I could put it that way?

7 A Yes, specifically they are probably larger
8 than the components of the whole rate base itself.

9 Q I missed a couple of words at the end.

10 A Well, if you look at the components of the
11 accumulated deferred income taxes, the individual
12 components of that are probably more than the
13 higher-level components of the rate base itself.

14 Q Thank you.

15 And I'm sure it's more complicated,
16 can you tell in brief if this is a fair
17 characterization, that ADIT primarily relates to the
18 difference between, on the one hand the use of
19 straight-line depreciation for ratemaking purposes
20 versus on the other hand the use of accelerated
21 depreciation for income tax purposes?

22 A That's generally the largest component of

1 the ADIT, but there are also many other components of
2 ADIT, but some are which might not as large, but
3 material in nature.

4 Q Thank you.

5 And for the purposes of the next
6 question, just set aside for a moment any dispute
7 about how you correctly calculate ADIT, if it is
8 correctly calculated, and the ADIT balance is a
9 positive number, then when you calculate rate base,
10 you subtract that positive number; is that right?

11 A You could look at it that way, yes.

12 Q And, hypothetically, if the total ADIT
13 number was a negative number, would that actually
14 increase rate base?

15 A Well, rather than positive/negative, if
16 there were a negative balance, it would increase rate
17 base. If there is negative credit balance, it would
18 reduce the rate base.

19 Q Okay. That's actually the next thing.

20 So an ADIT credit balance is a number
21 that increases the total of ADIT?

22 A If the net amount is a credit, then any

1 increase to the credit will increase the cumulative
2 balance of the credit.

3 Q Correct.

4 But all else being equal, if you added
5 something that was a credit balance to the ADIT
6 number, the ADIT number would go up?

7 A As a general rule, yes.

8 Q Okay. I'm just trying to get a
9 terminology down. So, similarly, a debit balance --
10 I don't know about similarly, it's opposite.

11 If you had something that was a debit
12 balance and you incorporate it in the ADIT
13 calculation, the total ADIT would go down?

14 A If that were otherwise a credit balance,
15 yes, then the net amount of the credit balance would
16 go down if you increase the subcomponent that was a
17 debit balance.

18 Q Okay. And so when we get to the ADIT
19 associated with the bad debt reserve, we're talking
20 about a debit balance; is that right?

21 A Yes.

22 Q Okay. And is it correct that in its direct

1 case and its calculation of ADIT, ComEd concluded a
2 debit balance associated with the bad debt reserve of
3 \$29,848,000?

4 A Yes, that's correct.

5 Q And if you recall, did ComEd also include
6 that same number in its rebuttal testimony and
7 surrebuttal testimony?

8 A I believe so, yes.

9 Q Again, just to get the direction right, if
10 by including that number it decreased ADIT -- do you
11 need to look something up?

12 A I was checking to make sure the number
13 hadn't change. I didn't recall a change and it
14 didn't.

15 Q By including a debit balance of
16 29,848,000, ComEd reduced its total ADIT number by
17 that amount?

18 A Yes, because the ADIT was otherwise on
19 balance a credit, the increase of -- I'm sorry -- the
20 inclusion of the deferred taxes related to the bad
21 debt has an effect of decreasing the amount of the
22 credit balance.

1 Q Okay. If you could look at your direct
2 testimony, 2.0 revised, Page 4, Lines 75 to 82.

3 A I have that.

4 Q So is it correct that ComEd's proposed
5 figure of 29,848,000 is 100 percent of its debit
6 balance of ADIT related to bad debt?

7 A Yes, 100 percent was allocated by ComEd to
8 the delivery services jurisdiction.

9 Q Okay. And am I correct that nowhere in
10 your testimony do you dispute that that was the
11 correct figure for 100 percent of the balance?

12 A I do not dispute that.

13 Q Okay. You propose, is it correct, however,
14 that instead of having a debit balance of 29,848,000
15 be used, it should be 10,408,000; is that right?

16 A Yes.

17 Q And that's a reduction of 19,440,000?

18 A Yes.

19 Q And if you could look at your Direct
20 Exhibit 2.1, Schedule DJE 1.1. If you could tell me
21 when you're there.

22 A I have that.

1 Q Okay. And is it correct that you
2 calculated your \$10,408,000 figure by multiplying
3 ComEd's figure by 34.87 percent?

4 A Yes.

5 Q Okay. And DJE 1.1 in Note 1 has that
6 percentage figure, correct?

7 A Yes.

8 Q And you refer there to Schedule FRA-2?

9 A Yes.

10 Q Okay. Do you have that schedule handy?

11 A I believe I do. Yes, I have that.

12 Q Okay. And that's one of the attachments to
13 Mr. Fruehe's direct testimony; is that right?

14 A Yes.

15 Q Okay. So is it correct that the
16 34.87 percent figure is the result when you divide
17 ComEd's distribution revenues under its existing
18 distribution rates over its total revenues?

19 A Yes.

20 Q Under tariffs?

21 A That's what it shows, yes.

22 Q Okay. Do you question the calculation?

1 A No.

2 Q And the total, the denominator in that
3 calculation, that's common revenues under its tariffs
4 to collect its distribution and transmission and
5 supply costs; is that right?

6 A I believe so, it says "revenues from
7 multiple customers" so I believe it would be
8 all-inclusive.

9 Q Okay. So would it be accurate to say, your
10 proposal is that only the ADIT debit balance
11 associated with distribution uncollectibles should be
12 used when calculating the ADIT figure in rate base?

13 A Yes, that's my testimony.

14 Q If you could look at your rebuttal
15 testimony on Page 1, Lines 14 to 19 please.

16 A Yes, I have that.

17 Q That's actually one of the questions, not
18 one of the answers.

19 Do you see a quote from Mr. Fruehe's
20 rebuttal testimony?

21 A Yes.

22 Q And the question and the quote in the

1 question indicate that ComEd has not allocated any of
2 the non-- sorry -- I don't want too many negatives in
3 the same question.

4 Is it correct that Mr. Fruehe's
5 testimony, as you understand it, indicates that ComEd
6 does not allocate in calculating its transmission
7 revenue requirements or its supply charges under
8 Rider PE, that it doesn't incorporate the bad debt,
9 the ADIT bad debt reserve for transmission or supply
10 costs; is that right?

11 A I believe what Mr. Fruehe said was that
12 ComEd didn't allocate the ADIT asset-related to bad
13 debt to either its transmission revenue requirement
14 or its charges under Rider PE.

15 Q Okay. And then the question asks you if
16 you have a response; is that correct?

17 A Yes.

18 Q And in Lines 20 through 29 is your
19 response; is that right?

20 A That's my response to Mr. Fruehe's
21 testimony.

22 Q And is it fair to say that you don't

1 disagree with his factual statement? What you
2 disagree with is about the conclusions one should
3 draw from it?

4 A I don't agree -- I don't disagree with his
5 description of what the Company has done, no. I'm
6 not contesting that.

7 Q So if your proposal was adopted with
8 respect to the rates that are at issue in this docket
9 and no changes were to be made in calculations under
10 ComEd's transmission rate or Rider PE, is it correct
11 that the other, approximately, \$19 million of the
12 ADIT bad debt reserve would not be incorporated in
13 the calculation of any of ComEd's rates?

14 A If ComEd voluntarily chose not to recover
15 it in those other jurisdictions, then they wouldn't
16 recover it, but that would be by their own choice.

17 Q And is your statement that it is ComEd's
18 choice, based on a ComEd data request response on
19 that subject, or is it based on some independent
20 knowledge you have about Rider PE in FERC ratemaking?

21 A It's based on the Company's response.

22 Q Okay.

1 A And I should say Mr. Fruehe's surrebuttal
2 testimony now, as well, which I didn't see any
3 dispute with what I said here regarding their choice
4 not to have recovered the ADIT asset in the other
5 jurisdictions.

6 Q You were also a witness in ComEd's most
7 recent rate case, Docket 10-4067; is that right?

8 A I was, yes.

9 Q Do you recall Mr. Fruehe's testimony in
10 this current case about what was the AG's position on
11 the allocation of late payment charges, revenues in
12 that case?

13 A I generally recall that.

14 Q All right. And do you disagree with his
15 testimony in this current case that it was the AG's
16 position that all late payment charge revenues should
17 be credited and calculated in distribution rates
18 without regard to functionalization?

19 A I have not disagreed with that.

20 Q Subject to -- I want to be fair, subject to
21 a small portion being allocated in the transmission
22 rate?

1 A Yeah, again, I wasn't the one who addressed
2 the issue in the 10467 (sic) case, but I can accept
3 that representation.

4 Q Sitting here right now, do you know what
5 the Commission's ruling was on that subject?

6 A I think I do, but I think the order would
7 probably speak better for itself than my trying to
8 sit here and recall what it said.

9 Q Okay. Thank you.

10 I would like to move on to the subject
11 of operating reserves associated with vacation pay
12 and incentive pay, please.

13 MR. RATNASWAMY: Your Honors, I would like to
14 mark as ComEd Cross-Exhibits 1 and 2, the AG/AARP
15 responses to ComEd Data Request 3.01 and 3.02
16 respectively.

17 JUDGE SAINSOT: Don't we have a ComEd
18 Cross-Exhibit already?

19 JUDGE KIMBREL: Redirect.

20 JUDGE SAINSOT: Okay. Redirect, so we are
21 good.

22 For the record, while you're doing

1 that, technically there is an AG/AARP Exhibit 2.0 in
2 the E-Docket, but that's not what I admitted. What I
3 admitted was AG/AARP Exhibit 2.0 revised.

4 MS. YU: Yes.

5 JUDGE SAINSOT: Just so the record is clear.

6 MS. YU: Thank you.

7 JUDGE SAINSOT: And this is Cross-Exhibit 1 and
8 Cross-Exhibit 2?

9 MR. RATNASWAMY: Right, so 3.01 would be 1 and
10 3.02 will be 2.

11 (Whereupon, ComEd Cross-Exhibit
12 Nos. 1 and 2 were marked for
13 identification.)

14 BY MR. RATNASWAMY:

15 Q Mr. Effron, do you recognize the AG/AARP
16 response to ComEd Data Request 3.01?

17 A Yes, I do.

18 Q Do you also recognize the response to 3.02?

19 A Yes.

20 Q Okay. With regard to each of those
21 requests, did you prepare the answers?

22 A Yes, I did.

1 Q Okay. And did you intend them to be
2 correct and complete answers?

3 A Yes.

4 MR. RATNASWAMY: I would like to offer ComEd
5 Cross-Exhibit 1 and 2 into evidence.

6 MS. YU: No objections.

7 JUDGE SAINSOT: No objection, okay. That being
8 the case, your motion is granted.

9 ComEd Cross-Exhibit 1 and 2 are
10 admitted into evidence.

11 And for the record, they are the
12 People of the State of Illinois and AARP's response
13 to ComEd's third set of data requests, and the
14 questions are 3.01 and a response and 3.02.

15 Those are admitted into evidence.

16 (Whereupon, ComEd Cross-Exhibit
17 Nos. 1 and 2 were admitted into
18 evidence.)

19 BY MR. RATNASWAMY:

20 Q If you could answer this in the most
21 general sense, what is an accrual?

22 A An accrual is a recording of -- in this

1 case we will talk about an expense at the time that
2 the service is rendered that expenses related without
3 an invoice, but the actual cash disbursement and
4 payment of the expense will take place at some future
5 point in time. It's usually an estimate of what the
6 ultimate cash disbursement is going to be for the
7 expense that was recorded at the time that the
8 service was provided.

9 Q All right. What was the amount that ComEd
10 accrued for vacation pay on December 31, 2010?

11 A Could I have a moment?

12 Q Sure.

13 A Based on the response to AG 5.02, the
14 cumulative accrual prior to December 31, 2010 was
15 49,500,000. The Company accrued an incremental, I
16 take it from this response, \$1.7 million.

17 So that the credit balance, cumulative
18 accrued credit balance as of December 31, 2010 was
19 \$51,200,000.

20 Q So was the \$49,500,000 accrual the accrual
21 that ComEd originally made on December 31, 2009?

22 A Yes.

1 Q And that 49,500,000 dollar number remained
2 the accrual until December 31, 2010?

3 A Based on this response, yes.

4 Q Okay. Do you have any reason to question
5 that?

6 A I do not.

7 Q And what does it mean to you to reverse an
8 accrual?

9 A To reverse an accrual would be to make a
10 charge to the accrued balance and reduce the amount
11 or eliminate the amount that had been accrued, and if
12 necessary, replace that with an accrual, a new
13 accrual for the then future prospective cash
14 dispersements.

15 Q Okay. So is it correct that on
16 December 31, 2010, ComEd reversed the \$49,500,000
17 accrual and made an accrual of 61,200,000?

18 A Yes, that's similar to what I described
19 before. I guess the steps were a little different,
20 but the end result is the same, and the effect is the
21 same in all regards.

22 Q All right. And you just referred to AG

1 Data Request 5.02.

2 Do you also have the copy of the
3 response of ComEd AG Data Request 5.03?

4 A Yes, I do.

5 Q And the difference in the accrual amounts
6 between 12/31/09 and 12/31/10 was \$1.7 million; is
7 that right?

8 A Yes.

9 Q And is it correct that of the \$1.7 million
10 difference ComEd charged 1.6 million to deferred
11 debits, which is Account 186, and added \$100,000 to
12 its expense in Account 930.2?

13 A That's what it states here, yes.

14 Q Do you have any reason to question that?

15 A I don't.

16 JUDGE SAINSOT: Hold on. There is something
17 going on with the video. It just went off. Sorry
18 about that, Mr. Efron.

19 Could Staff maybe see what's going on.
20 Thank you.

21 MICROPHONE: This is Staff in Springfield. We
22 do still have audio.

1 JUDGE SAINSOT: Okay. Should we get IT on it?

2 MICROPHONE: They're here working on it now.

3 JUDGE SAINSOT: We are back in business here.

4 I can see that white brick wall now.

5 BY MR. RATNASWAMY:

6 Q Did you finish your answer?

7 A I think I finished my answer. I don't

8 believe there is another question pending now. If

9 there is, I don't remember what it was.

10 Q Are you willing to accept, subject to

11 check, that that is what was done with the accounting

12 for the \$1.7 million difference?

13 A I have no reason to dispute that.

14 Q Okay. I would now like to ask you about

15 the ADIT associated with the 2011 plant additions.

16 A I have that.

17 Q So is it correct that the gist of your

18 proposal on that subject is that -- let me back up a

19 second.

20 Is it correct the gist of your

21 proposal is rather than to use the ADIT -- I'm saying

22 it wrong -- I'm sorry.

1 Let me say it this way: Is it correct
2 that you're proposing to roll forward the ADIT
3 associated with the 2011 plant additions included in
4 rate base?

5 A I would not use "roll forward" as a
6 description of what I'm recommending here.

7 "Roll forward" would be to be increase
8 something that was already in existence.

9 There was no ADIT balance related to
10 the 2011 plant additions at the end of 2010.

11 What I'm proposing to do is to
12 recognize the ADIT that would be generated by the
13 2011 plant additions consistent with the inclusion of
14 the 2011 plant additions in the Pro Forma rate base.

15 Q Okay. Just to clarify what you're
16 proposing, Mr. Fruehe in his rebuttal testimony, I'm
17 paraphrasing, indicated that it appeared to him that
18 your proposal was limited to the facts of this
19 particular docket, and that you were not proposing to
20 change the formula to make this same change every
21 year going forward; is that correct?

22 A I did not propose that in my testimony.

1 Q Okay. I would like to go over the sequence
2 of the filings and which data is used in the rates
3 and the reconciliation. And let's start with this
4 docket, so we can figure out when the ADIT fits in.

5 This docket was filed in November
6 2011, right?

7 A Yes, I believe that's right. It was late
8 November, early December sometime.

9 Q And at a very high level, ComEd's revenue
10 requirement was based on 2010 costs, plus projected
11 2011 plant additions, and the associated depreciation
12 reserve, and the associated depreciation expense?

13 A That's generally correct. I believe there
14 were a couple other Pro Forma adjustments in there,
15 but that description in substance is the basis for
16 the revenue requirement.

17 Q And I'm not sure if you have an
18 understanding of this, but is it correct that your
19 understanding is the order in this case would be no
20 later than the end of May of this year?

21 A I can accept that. I think that's right.

22 Q Okay. Is it correct your understanding is

1 that the rates that result from this case will go
2 into effect in June of this year?

3 A I believe that's correct, yes.

4 Q Okay. So then in May 2012, ComEd makes
5 another filing; is that right?

6 A Yes.

7 Q Okay. And on a very high level, is it
8 correct that there is submission for a new revenue
9 requirement for setting new rates, and there is also
10 a submission of some actual data for purposes of a
11 reconciliation?

12 A That's correct, yes, as I understand it.

13 Q Okay. And in terms of the reconciliation
14 to be performed in connection with the May 2012
15 filing, is the filing consistent with your
16 understanding, if you have one, that what will be
17 reconciled is on the one hand a sort of weighted
18 combination of the revenue requirements from ComEd's
19 last two rate cases versus ComEd's actual costs for
20 2011?

21 A That's correct, yes, that's my
22 understanding.

1 Q Okay. And will the actual costs for 2011
2 include in their calculation the ADIT associated with
3 the 2011 plant additions?

4 A It should, yes.

5 Q Do you have any reason to think it won't?

6 A The Company would know that better than I
7 would, but I would expect that it would.

8 Q Okay.

9 A There is going to be a problem if it
10 didn't.

11 Q Okay. And what is your understanding, if
12 any, whether there is another filing in May 2013?

13 A It's my understanding there will be another
14 filing in 2013.

15 Q Again, a very high level, it includes a
16 revenue requirement for setting new rates going
17 forward, and it also includes actuals for a
18 particular year to be used to reconcile against a
19 previous revenue requirement?

20 A That's correct, yes.

21 Q And in the reconciliation that will be
22 performed in connection with the 2013 filing, again,

1 will the reconciliation include the ADIT associated
2 with the year that is being used to reconcile?

3 A It should, yes.

4 Q Okay. Do you have any reason to think it
5 won't?

6 A I, again, the Company are the ones that
7 make the filing. I would expect they would include
8 that in there, but if they didn't, it would be a
9 problem.

10 Q Okay. If you could look at your direct
11 testimony, Page 14, Lines 302 to 314, please.

12 A I have that.

13 Q So is it fair to say in that answer, you
14 were -- one of the things you discussed was the thing
15 we just discussed which is that in future
16 reconciliations, the ADIT associated with plant
17 additions will be incorporated with that?

18 A I believe that's generally saying what we
19 discussed, yes.

20 Q If you could look at Page 16 of your direct
21 testimony, Lines 341 to 346, please.

22 A Yes, I have that.

1 Q Is it your view that, assuming all else
2 being equal, if the Commission approved your
3 adjustment to the revenue requirement in this current
4 docket that that would reduce the difference between
5 the revenue requirement to be approved here and the
6 revenue requirement that would be used in the future
7 reconciliation?

8 A Based on the information I have, I think
9 that would be likely. Obviously, we talked about
10 something that we don't have all the exact data for,
11 as we sit here, but given everything that's going on,
12 I think it's likely that that would happen, yes.

13 Q Okay. I just want to make sure we are on
14 the same page.

15 My question included "assuming all
16 else being equal." So I'm not asking you to make a
17 prediction or projection about anything else
18 changing.

19 A I don't know if you can make a prediction
20 like that without assuming some other changes and
21 everything else because everything else is going to
22 be changing, so I think you have to consider -- in

1 answering that question, I'm not sure what you mean
2 by saying "everything else equal."

3 Q If in a future reconciliation the revenue
4 requirement from the later actual period is actually
5 higher than the revenue requirement set in the
6 earlier proceeding that's being reconciled, wouldn't
7 your adjustment increase the gap between those two
8 revenue requirements?

9 A I'm not sure there would be such an
10 adjustment in a future reconciliation.

11 This was based on a few things: One
12 is the 100 percent bonus depreciation being in
13 existence for 2011.

14 In 2012 it's 50 percent bonus
15 depreciation. So the adjustment wouldn't be as
16 large. And whether or not that would increase or
17 decrease the difference between what I will call the
18 test-year revenue requirement and the ultimate actual
19 revenue requirement, it would be a little more of a
20 matter of judgment than what we have in this case.

21 But I think you ought to be practical
22 about it, ultimately.

1 Q If I ask you specifically at the sentence
2 that starts on Line 344 of your direct?

3 A Yes.

4 Q I'm paraphrasing, you indicate your
5 adjustment would tend to reduce, rather than increase
6 any discrepancy between the rate base in this case
7 and the actual 2012 rate base; is that right?

8 A Yes, that's what it states here.

9 Q Are you stating or implying there that, all
10 else being equal, that is a good thing to reduce the
11 difference between the two numbers?

12 A I think as a general matter, it would be.
13 I don't think you want to make adjustments that you
14 knew or something that you thought had a very high
15 probability of increasing the difference between the
16 estimated revenue requirement and the actual revenue
17 requirement.

18 So, again, I think it's the kind of
19 thing you want to be practical about and look at the
20 specific circumstances.

21 Q Okay. The last subject I want to ask you
22 about is your proposal relating to the use of an

1 average rate base calculation.

2 And this is a proposal that relates
3 not to the setting of the rates in this case, but
4 what should happen in future reconciliation; is that
5 right?

6 A That's correct, yes.

7 Q And this proposal, it's not just for the
8 first reconciliation. It's for reconciliations in
9 general; is that right?

10 A This is, yes.

11 Q And you're not proposing that in setting
12 the rates, average rate base should be used, right?

13 A That's correct.

14 Q All right. So I would like to ask some
15 questions just about the difference in proposals.
16 I'm not trying to elicit the pluses or minuses, just
17 literally what are the differences between the
18 proposals.

19 So the rates being set in this docket
20 involve 2010 actuals with projected 2011 plant
21 additions, depreciation reserve, and depreciation
22 expense, and depending how the Commission rules,

1 perhaps ADIT, right?

2 A Yes, for rates that are to be in effect in
3 2012.

4 Q Right, they go into effect, and I'll
5 include June 2012, right?

6 A Yes.

7 Q By June 2012, the 2011 plant additions will
8 all have been in service for a while, right?

9 A Correct.

10 Q Okay. And in the May 2013 filing, if you
11 could think about that for a moment, in the May 2013
12 filing, will the actuals used to reconcile will be
13 2012 actuals?

14 A Yes.

15 Q Okay. And they will reflect plant
16 additions that occurred in 2012; is that right?

17 A Yes. Again, my recommendation is based on
18 the average over the course of 2012 and based on the
19 Company's position with the cumulative plant
20 additions as of the end of 2012.

21 Q So simplifying it a bit, under what ComEd
22 is proposing in the May 2013 reconciliation, the 2012

1 actuals will reflect 2012 FERC Form 1 figures as of
2 December 31, 2012?

3 A Yes.

4 Q Okay. But under your proposal with respect
5 to rate base items, it would be the average of those
6 numbers as of December 31, 2011 and December 31,
7 2012?

8 A Yes.

9 Q Okay. The rates set in that docket won't
10 go into effect until 2014, right?

11 A That's a whole different thing.

12 The rates that are set in the May 2013
13 filing will be based on the FERC Form 1 for 2012 plus
14 the 2013 plant additions, and will go into effect in
15 2014, but that's wholly separate from the
16 reconciliation you're talking about.

17 Q If there is a reconciliation adjustment,
18 that will also go into effect in January of 2014?

19 A With interest, yes.

20 Q Well, with interest, if the Commission
21 approves interest, right?

22 A I thought that was statutory. Maybe I'm

1 wrong about that. I thought they included interest
2 as an matter of the formula in the statute, but I'm
3 not an attorney, as you know.

4 Q And is it correct that under your proposal
5 in that May 2013 reconciliation, we will be averaging
6 numbers as of the end of 2011, and as of the end of
7 2012, even though all of the 2012 plant additions
8 will already be in service?

9 A For the purpose of calculating the actual
10 revenue requirement for what it was in 2012 now, yes.

11 Again, that's just for the purpose of
12 calculating in retrospect what the average revenue
13 requirement was in that year. It's always --

14 Q That's your hypothesis, that it is the
15 average revenue requirement for the year, right?

16 A I didn't say "actual." I said "average."

17 The calculation of the actual revenue
18 requirement is always going to be retrospective. It
19 has to be by definition.

20 MR. RATNASWAMY: No further questions.

21 Thank you.

22 JUDGE SAINSOT: Any redirect?

1 MS. YU: None, your Honor.

2 MS. LUSSON: Wait.

3 JUDGE SAINSOT: Okay. I guess we are going to
4 take is a 5-minute break.

5 (Whereupon, a recess was taken.)

6 MS. YU: We have no redirect, your Honor.

7 JUDGE SAINSOT: I guess, you can step down,
8 Mr. Effron. Thank you very much.

9 At least, you're sure now you have no
10 redirect.

11 (Witness excused.)

12 JUDGE SAINSOT: It's 10 to 12:00. Let's
13 reconvene at 2:00.

14 Just so you're all clear that we're
15 taking a 2 hour lunch, we have not gone European. We
16 have a Motion to Strike pending, so. . .

17 MS. SATTER: Are you going to hear argument on
18 the motions?

19 JUDGE SAINSOT: We asked if you wanted argument
20 before and you all said no.

21 MS. SATTER: I'm just asking. I'm sure we
22 would be willing, but you have it on paper, as well.

1 JUDGE SAINSOT: Right. Nobody wanted to argue
2 this before, so --

3 MS. SATTER: I think they wanted to do it on
4 paper first. You know what I mean, they didn't want
5 to do an argument in place of paper.

6 JUDGE SAINSOT: It's either/or when you're
7 talking about a live trial.

8 What I'm trying to avoid at all costs
9 is a situation where we have a witness who is
10 testifying two weeks from now, and we don't have time
11 for that. So let's keep it all --

12 MS. SATTER: So the answer is no? That's fine.

13 JUDGE SAINSOT: Sorry, I don't like saying
14 no, . . .

15 Okay. Enjoy your lunches, everybody.

16

17 (Whereupon, a lunch recess
18 was taken.)

19

20

21

22

1 (Afternoon session.)
2 (Whereupon, ComEd Exhibit
3 Nos. 5.0, 5.1, 5.2, 17.0
4 corrected, 17.1, 26.0 and 26.1
5 were marked for identification,
6 as of this date.)
7 JUDGE SAINSOT: Has the schedule changed for
8 tomorrow yet?
9 MR. RIPPIE: Very little, your Honor.
10 There's -- in fact, I don't think it's, at this
11 point, changed at all since the one that went out
12 this -- yesterday evening.
13 JUDGE SAINSOT: I just thought I'd ask.
14 MR. RIPPIE: Right. The Attorney General added
15 15 minutes of cross-examination of Mr. Box,
16 assuming -- and he's reflected on that schedule. So
17 the schedule that I sent out last night is still
18 current.
19 JUDGE SAINSOT: Okay. Before we start with
20 Mr. Blaise, we have the three motions to strike
21 Charles Box' testimony at issue.
22 Is there anything that we should

1 discuss before we do?

2 No. Okay. Judge Kimbrel and I have
3 read the three motions to strike and ComEd's response
4 and the three reply briefs that we received this
5 morning and we'll note for the record that the three
6 motions were filed by the Citizen's Utility Board,
7 the Attorney General's Office and Commission Staff.

8 Starting with -- okay. Starting with
9 the ethics issue. The statute that the AG has cited
10 bears remarkable similarity to ARDC Rule 1.12, only
11 that particular rule is more specific to persons like
12 Charles Box. It is entitled Former Judge Arbitrator,
13 Mediator or Other -- excuse me -- Other Third-Party
14 Neutrals.

15 And it provides that, Except as stated
16 in Paragraph D, a lawyer shall not represent anyone
17 in connection with a matter in which the lawyer
18 participated personally and substantially as a judge
19 or other adjudicative officer or law clerk to such
20 person or as an arbitrator, mediator or other
21 third-party neutral unless all parties to the
22 proceeding give informed consent.

1 Now, the ARDC recently has decided to
2 clarify its rules so it has these wonderful little
3 comments after its rules.

4 Comment 1 says -- and I'm not reading
5 the whole comment; but the pertinent part says, The
6 term "personally and substantially" signifies that a
7 judge who was a member of a multimedia court and,
8 therefore, left the judicial office to practice law
9 is not prohibited from representing a client in a
10 matter pending in the court but in which the former
11 judge did not participate.

12 And then Comment 2 says, Like former
13 judges, lawyers who have served as arbitrators,
14 mediators or other third-party neutrals may be asked
15 to represent a client in a matter in which the lawyer
16 participated personally and substantially. This rule
17 forbids such representation unless all of the parties
18 to the proceeding give their informed consent.

19 What we have here is a situation that
20 is much more like Comment 1 than Comment 2. Whatever
21 Mr. Box' role in this case is, he did not participate
22 in this case. So there is no ethics violation.

1 Moving on to the gist -- the main gist
2 of all three of these motions, and that is that
3 Mr. Box is a lawyer testifying as to the law, which
4 is not permitted by the Rules of Evidence.

5 For the record, Mr. Box is a lawyer
6 and has had a long and distinguished career as a
7 lawyer. His curriculum vitae indicates that he was a
8 history major in undergraduate school, so he has no
9 special expertise -- no training in school, at least,
10 specialized expertise. He was the mayor of the City
11 of Rockford for a while, so that is some expertise,
12 but that's a different issue. He, in fact, is
13 testifying as Commission -- as to Commission
14 precedent and nothing else.

15 And the best example of that, I will
16 read into the record -- although I will note that
17 several parties have quoted this paragraph and they
18 are correct in doing so -- and that is Page 4 of
19 ComEd Exhibit 24.0 at Line 74, How is Ms. Ebry's
20 position a departure from past Commission orders?
21 Ms. Ebry incorrectly claims that the Commission has
22 not approved cost recovery of ComEd's pension asset

1 when, in fact, the Commission has consistently
2 allowed ComEd to recover the cost of funding its
3 pension asset.

4 In the 2005 rate case, Ms. Ebry raised
5 these same arguments when I was chairman of the ICC
6 and the Commission rejected them in no uncertain
7 terms. See Commonwealth Edison Company -- and I'm
8 paraphrasing this last sentence, but -- ICC Docket
9 No. 05-0597 Order on Rehearing, December 20th, 2006,
10 at 28. This is pure legal argument. That's what
11 briefs, motions, pleadings and other similar legal
12 tools are for.

13 Therefore, for the reasons stated when
14 we granted ComEd's motion to strike the testimony of
15 Scott Hempling, the motions filed by Staff, the AG
16 and CUB to strike the testimony of Charles Box are
17 granted.

18 And I will note for the record that
19 this ruling concerns form, not substance, as was the
20 case with Mr. Hempling. ComEd is to free to make
21 whatever relevant legal arguments it desires in
22 briefs or other appropriate legal vehicles.

1 Anything further?

2 Okay. We're done with that.

3 Ms. Blaise.

4 MR. FOSCO: Your Honor, Ms. Blaise was not

5 previously sworn.

6 JUDGE SAINSOT: Right. So we're going to swear

7 her in, that's why I was about to go like this.

8 (Witness sworn.)

9 MICHELLE BLAISE,

10 called as a witness herein, having been first duly

11 sworn, was examined and testified as follows:

12 DIRECT EXAMINATION

13 BY

14 MR. FOSCO:

15 Q Ms. Blaise, please state your full name and

16 spell your last name for the record.

17 A Michelle Blaise, B-l-a-i-s-e.

18 Q Ms. Blaise, what is your current business

19 address?

20 A Lincoln Center 2 in Oak Brook, Illinois.

21 Q By whom and in what position are you

22 employed?

1 A Commonwealth Edison.

2 Q Okay. And as -- in your --

3 A I'm sorry. Vice president of engineering
4 and project management.

5 Q Thank you.

6 Have you prepared written testimony in
7 this proceeding consisting of direct, rebuttal and
8 surrebuttal testimony?

9 A Yes, I have.

10 Q Okay. Do you have in front of you what's
11 been marked for identification as ComEd Exhibit 5.0?

12 A Yes, I do.

13 Q Okay. And that's entitled The Direct
14 Testimony of Michelle Blaise consisting of 56 pages
15 of questions and answers and including ComEd
16 Exhibits 5.1 and 5.2?

17 A Yes.

18 Q Was this document prepared by you or under
19 your direction and control?

20 A Yes.

21 MR. FOSCO: Your Honor, I'll note for the
22 record that these documents were filed on e-Docket on

1 November 8th, 2011, and that ComEd 5.2 contains
2 confidential and public versions.

3 BY MR. FOSCO:

4 Q Do you have any corrections to that
5 testimony?

6 A No.

7 Q Okay. Do you have in front of you what's
8 been marked for identification as ComEd Exhibit 17.0
9 corrected, entitled The Rebuttal Testimony of
10 Michelle Blaise consisting of 14 pages of questions
11 and answers and including ComEd Exhibit 17.1?

12 A Yes.

13 Q Okay. Was this document prepared by you or
14 under your direction and control?

15 A Yes.

16 MR. FOSCO: Okay. Your Honor, I'll note for
17 the record that ComEd Exhibit 17.0 corrected was
18 filed on e-Docket on March 7, 2012; ComEd Exhibit
19 17.1 was filed on e-Docket on February 3, 2012; and
20 both ComEd Exhibits 17.0 corrected and 17.1 contain
21 confidential and public versions.

22 BY MR. FOSCO:

1 Q Do you have any corrections to this
2 rebuttal testimony?

3 A No.

4 Q Okay. Do you have in front of you what's
5 been marked for identification as ComEd Exhibit 26.0
6 entitled Surrebuttal Testimony of Michelle Blaise
7 consisting of 17 pages of questions and answers and
8 including ComEd Exhibit 26.1 as an attachment?

9 A Yes.

10 Q Was this document prepared by you or under
11 your direction and control?

12 A Yes.

13 MR. FOSCO: Okay. Your Honor, I'll note for
14 the record that these documents were filed on
15 e-Docket on March 2nd, 2012; and ComEd 26.1 contains
16 confidential and proprietary and public versions.

17 BY MR. FOSCO:

18 Q Ms. Blaise, do you have any corrections to
19 your surrebuttal testimony?

20 A No.

21 Q Okay. Are the direct, rebuttal and
22 surrebuttal testimony that you prepared for this

1 proceeding true and correct to the best of your
2 knowledge?

3 A Yes.

4 Q Okay. If I were to ask you now the
5 questions contained in your direct, rebuttal and
6 surrebuttal testimony, would your answers be the
7 same?

8 A Yes.

9 MR. FOSCO: Okay. Your Honor, I move for
10 admission of ComEd Exhibits 5.0, 5.1, 5.2, 17.0
11 corrected, 17.1 and 26.0 and 26.1.

12 JUDGE SAINSOT: Any objection?

13 Hearing none, your motion is granted,
14 Mr. Fosco, and ComEd Exhibit 5.0, 5.1, 5.2, 17.0
15 corrected, 17.1, 26.0 and 26.1 are entered into
16 evidence.

17 (Whereupon, ComEd Exhibit
18 Nos. 5.0, 5.1, 5.2, 17.0
19 corrected, 17.1, 26.0 and 26.1
20 were admitted into evidence.)

21 MR. FOSCO: Thank you, your Honor.

22 Ms. Blaise is available for

1 cross-examination.

2 JUDGE SAINSOT: Staff?

3 MS. McNEILL: Staff has some cross of

4 Ms. Blaise. Thank you.

5 CROSS-EXAMINATION

6 BY

7 MS. McNEILL:

8 Q Good afternoon, Ms. Blaise. My name is

9 Megan McNeill and I represent Staff. I have some

10 short -- a short line of questioning for you and then

11 my co-counsel is going to do some other follow-up

12 questions.

13 To start, could you please look at

14 your surrebuttal testimony Pages 15 to 16 and if I

15 could refer you to Lines 335 to 337.

16 A Is this Exhibit 26?

17 Q Yes, Exhibit 26.0?

18 A Okay.

19 Q And there on Lines --

20 A Which lines?

21 Q Lines 335 to 337. It starts at the bottom

22 of Page 15.

1 A Okay.

2 Q There you state, For instance, Mr. Bridal's
3 assertion that the reasons for historical variances
4 are irrelevant in applying historical variances, to
5 the current projections will produce unreasonable and
6 unprincipled results.

7 Do you see that?

8 A Yes.

9 Q Ms. Blaise, Mr. Bridal doesn't ever state
10 in his prefiled testimony that the reasons for
11 historical variances are irrelevant, does he?

12 A Does he state that in his testimony?

13 Q Correct.

14 Would you accept, subject to check,
15 that Mr. Bridal does not state that the reasons for
16 historical variances are irrelevant?

17 A I would have to go back to his testimony.

18 Q Do you have a copy of Mr. Bridal's rebuttal
19 testimony?

20 I can provide you one, if you do not.

21 MS. MCNEILL: Your Honors, may I approach?

22 JUDGE SAINSOT: Yes, you may.

1 MS. McNEILL: Your Honors, I believe Staff
2 provided you binders with Mr. Bridal's -- a copy of
3 Mr. Bridal's rebuttal testimony, Staff Exhibit --

4 JUDGE SAINSOT: Thanks for reminding us.

5 Go ahead.

6 MS. McNEILL: -- Staff Exhibit 16.0. His
7 discussion regarding my questions for Ms. Blaise can
8 be found at Lines -- I'm sorry -- Pages 6 to 7,
9 Lines -- around Line 136, approximately.

10 BY MS. McNEILL:

11 Q Do you see Mr. Bridal's discussion there,
12 Ms. Blaise?

13 A Yeah, I do. So --

14 Q So my question was, he doesn't ever state
15 that the reasons for historical -- the reasons for
16 historical variances are irrelevant, does he?

17 A He doesn't state that specifically.

18 Q Okay. Thank you.

19 So in your surrebuttal when you made
20 that statement that, Mr. Bridal's assertion that the
21 reasons for historical variances are irrelevant in
22 applying historical variances to current projections

1 will produce unreasonable and unprincipled results,
2 that was merely your characterizations of
3 Mr. Bridal's testimony?

4 A That's the way I understood his testimony,
5 yes.

6 Q However, his testimony does not
7 specifically say that the reasons for historical
8 variances are irrelevant, does it?

9 MR. FOSCO: Your Honor, objection. Asked and
10 answered. I think we've established he didn't use
11 that word.

12 MS. McNEILL: I'll move forward.

13 BY MS. McNEILL:

14 Q If you take a look at Mr. Bridal's
15 testimony there on Lines 137 to 139, he actually
16 states that, The fact that the amounts will be trued
17 up in the future should not preclude one from
18 ensuring the forecast used in setting rates are
19 reasonable and as accurate as possible; is that
20 correct?

21 A Yes, I'm reading that. Correct.

22 Q And then on Lines 139 to 141 on the next

1 page, he states, The accuracy of the forecast is
2 imprudent because any variances determined in the
3 reconciliation will have a real impact on rates,
4 including interest; is that correct?

5 A That's what it states.

6 JUDGE SAINSOT: I thought he said "important,"
7 not "imprudent."

8 MS. McNEILL: I'm sorry. That is a typo.

9 BY MS. McNEILL:

10 Q He states -- that was my bad.

11 He states, The accuracy of the
12 forecast is important.

13 Ms. Blaise, therefore, it's for these
14 reasons only that Mr. Bridal states that the fact the
15 forecast will be trued up to actual plant additions
16 in the future is irrelevant; is that correct?

17 JUDGE SAINSOT: Could you restate that
18 question.

19 BY MS. McNEILL:

20 Q Yes, my point is, you know -- my -- that
21 Mr. Bridal did not state that the reasons for
22 historical variances are irrelevant and, in fact,

1 he -- his reasoning -- or, in fact, he actually made
2 these two statements that I read to you in support of
3 his statement that the fact that the forecast will be
4 trued up to actual plant additions in the future is
5 irrelevant.

6 MR. FOSCO: Your Honor, I'm going to object
7 again. Counsel has mixed two separate arguments by
8 Mr. Bridal. The testimony at Lines 131 to 135
9 addresses the variance, and the testimony at Lines
10 136 on addresses the true-up, which is a separate
11 issue.

12 MS. McNEILL: Well, my point is she has
13 mischaracterized his testimony in saying what she
14 believes he is saying is irrelevant.

15 JUDGE SAINSOT: All right. So just rephrase.

16 BY MS. McNEILL:

17 Q So I guess -- and I think you've already --
18 I'm going to ask this question again, but Mr. Bridal
19 does not state that the reasons for historical
20 variances are irrelevant? We've established that,
21 correct?

22 A I said he does not make that specific

1 statement. That was his interpretation of what he
2 was saying.

3 Q In fact, his statement -- I think that
4 answers what I'm looking for. I'll move forward.

5 Could I have you now turn to your --
6 back to your surrebuttal testimony, Pages 15 to 16
7 again. And, actually, we're going to look at
8 Page 16, Lines 337 to 341.

9 Do you see that?

10 A Yes.

11 Q And, Ms. Blaise, there you state, The
12 multiple and dynamic consideration that electric
13 delivery utilities must take into account in
14 prudently planning their investments could not be
15 replaced by applying simple averages to past results.
16 And it is unreasonable and does not produce a just
17 and reasonable result to adjust plan expenditures
18 based on simple average variances that are, quote
19 unquote, smart.

20 Do you see that?

21 A Yes, I see that.

22 Q Ms. Blaise, does ComEd's forecast of its

1 2011 plant additions presented in this case take into
2 account multiple and dynamic considerations that face
3 the company as you use the term "multiple and dynamic
4 considerations" at Lines 337 to 338 of your
5 surrebuttal testimony?

6 A Our forecasts -- the forecast that we
7 presented in my testimony, the plant addition data
8 was what we knew and had in our budget at that time.

9 Q Did it take into account, as you use the
10 term here, the "multiple and dynamic considerations"?

11 A In some -- what we take -- it depends.
12 There are multiple different work categories that are
13 in the budget. There's new business, which we
14 usually take a look at what -- we take a look at
15 historical as well as what we know about other
16 forecast or new business; but what actually happens
17 may change from year to year. Weather may impact how
18 much corrective work we do; new business may be
19 different.

20 In some categories, it's known
21 projects; in other categories of work, it's our best
22 understanding based on historical and other economic

1 forecasts that we have at that time. And those may
2 change, so our actuals may end up being different for
3 that particular year.

4 Q So it sounds like your answer is "yes"?

5 A I'm saying it -- for certain work
6 categories, yes; others are known projects.

7 MS. McNEILL: Okay. That's all the questions I
8 have.

9 CROSS-EXAMINATION

10 BY

11 MR. SAGONE:

12 Q Good afternoon, Ms. Blaise. My name is
13 John Sagone and I've got a few more questions for
14 you.

15 JUDGE SAINSOT: Mr. Sagone, you might have to
16 speak up a little bit.

17 MR. SAGONE: Yeah, I apologize. I've got a
18 little bit of a cold.

19 BY MR. SAGONE:

20 Q So if you can't hear me, let me know and
21 I'll speak up.

22 Ms. Blaise, would you agree that by

1 definition a canceled project no longer exists?

2 A Yes. A canceled project, yes.

3 Q And would you agree that an unfinished

4 project cannot be used until it is finished?

5 A An un- -- that's correct. Electrically,

6 yes.

7 Q I'd like to ask you a couple of questions

8 about the O'Hare Modernization Project, ITN 13507.

9 Just generally speaking, how does

10 ComEd define a capital project?

11 A A capital project is a project that

12 requires capital asset investment.

13 Q Okay. So is there a cost or a scope or a

14 duration that's involved?

15 A Not necessarily, no.

16 Q Is there a threshold cost?

17 A Is there a threshold cost for a project?

18 No.

19 Q So -- going back to that question, so are

20 you able to tell me what exactly -- how does ComEd

21 define a capital project beyond just it needs

22 capital?

1 A An example of a capital project would be a
2 new business customer that requires -- that needs new
3 service. So a capital project would be the --
4 bringing that service and the equipment required to
5 provide that service.

6 Q Well, that's a good example, but I'm
7 looking for just sort of criterion or criteria.

8 A I'm not an accountant necessarily. So from
9 an accounting perspective, what's capital versus
10 expense or what's a project?

11 Q Just the parameters that ComEd would use to
12 define a capital project.

13 A I gave you an example. A capital project
14 would be anything that would require us installing
15 capital assets.

16 Q Okay. And how does ComEd define a blanket
17 project?

18 A So we -- when we define blanket -- a
19 blanket project is really sort of a bucket where we
20 put multiple small projects that aren't clearly
21 defined ahead of time.

22 Q So it's sort of lots projects grouped under

1 one?

2 A Lots of small, unique -- mostly unique
3 projects.

4 Q Can you tell me what the overall completion
5 cost of Project ITN 13507 is?

6 A I'm not sure if we provided that.

7 THE WITNESS: Did we provide that in our
8 data -- I don't have the number offhand.

9 JUDGE SAINSOT: Does it have a name?

10 MR. SAGONE: That's the O'Hare Modernization
11 Project.

12 JUDGE SAINSOT: Okay. That's a big one.

13 MR. FOSCO: Counsel, can I ask you to clarify.
14 For which work under that project?

15 MR. SAGONE: Just the overall completion cost.

16 THE WITNESS: Well -- so the O'Hare
17 Modernization Project is -- would fall under a new
18 business type of work. It's a multi-year project.
19 There's of different pieces to it. The customer will
20 ask us to do this -- Move this piece of equipment for
21 new service. Because you know it's a multi-year
22 project going on at O'Hare. It goes on through 2016.

1 At least that's the current for right now, that the
2 project will end in 2016. It's been going on for
3 multiple years.

4 So when you say what is the cost of
5 the project, you want -- is it how much did we spend
6 on the project in 2011? In 2010? The full cost
7 would be the entire multi-year.

8 BY MR. SAGONE:

9 Q All right. And you have a -- does ComEd
10 have an estimate of what the multi-year cost is going
11 to be?

12 A At this time, we don't.

13 JUDGE SAINSOT: Could you repeat that,
14 Ms. Blaise. I didn't quite hear you.

15 THE WITNESS: He asked whether we have an
16 estimate as to what the total cost will be by the end
17 of this project.

18 JUDGE SAINSOT: Right.

19 THE WITNESS: And I said, We don't at this
20 time.

21 JUDGE SAINSOT: Okay.

22

1 BY MR. SAGONE:

2 Q Ms. Blaise, I'd like to direct you to your
3 surrebuttal testimony, Page 5, Lines 98 through 103.

4 A Okay.

5 Q And you state there, ITN 13507 O'Hare
6 Modernization Project is a long-term project, parens,
7 overall project to be completed in 2016, end parens,
8 with discrete individual work orders that are
9 completed over relatively short time periods and
10 placed in service at the completion of each work
11 order. While the overall project has a completion
12 date of 2016, components of the project are completed
13 and placed in service each year, including 2011.

14 Is that correct?

15 A That's correct.

16 Q If it is the case that ITN 13507 comprises
17 discrete individual work orders, can you tell me what
18 the reason is for ComEd to list these discrete
19 individual work orders under one project?

20 A It's a single customer who is requesting
21 this service.

22 Q And I'd like to direct you now to your

1 surrebuttal testimony, Page 6, Lines 116 through 118.

2 And there you state, ITN 13507 was
3 included in the projected plant additions for the
4 portion of the project that was projected to be
5 completed in 2011; is that correct?

6 A Correct.

7 Q And what portion of the total completion
8 cost of ITN 13507 has been incurred in 2011?

9 A I believe we provided this in Exhibit 26.1.
10 And 13507 -- that was redacted.

11 THE WITNESS: This is available, right?

12 JUDGE SAINSOT: I can't hear you, Ms. Blaise.

13 THE WITNESS: I said Exhibit 26.1. 13507 is
14 listed. It is redacted.

15 JUDGE SAINSOT: It is redacted from the public
16 version?

17 THE WITNESS: Yes.

18 JUDGE SAINSOT: Then it should be on the
19 private version.

20 BY MR. SAGONE:

21 Q Could you tell me what Bates stamped page
22 that's on.

1 A I'm on the -- it's the Attachment 26.1,
2 confidential and proprietary RWB8.01, corrected,
3 Attachment 1. It is the -- one, two, three -- fourth
4 page.

5 Q On the bottom right-hand page, could you
6 just tell me the -- it's, like -- it should start
7 with CFRC.

8 MR. FOSCO: Your Honor, I think that's 89402.

9 THE WITNESS: Yeah. Sorry. 89402. Sorry
10 about that.

11 MR. FOSCO: It's the Bates stamped number on
12 the confidential version.

13 THE WITNESS: CFRC 0089402.

14 JUDGE SAINSOT: I have a question. Why is
15 this -- I'm looking at CFRC 0089402 and at the top
16 right-hand, it says, Corrected, confidential and
17 proprietary, and then everything is redacted pretty
18 much. Two-thirds of the page is redacted.

19 MR. FOSCO: Your Honor, just the confidential
20 nature of this is these are new business jobs and in
21 general it's confidential client infor- -- or
22 customer information. The dollars we spent are not

1 marked "confidential" in the public, it's just the
2 specific customer information.

3 JUDGE SAINSOT: I don't see what good that
4 information does, but go ahead.

5 MR. RIPPPIE: Your Honor, the basis for the
6 "confidential" designation is that customers' plans
7 for their own expansion or work is highly
8 competitively sensitive.

9 So one customer does not -- one
10 customer of the company's, let's say ABC Drug
11 Company, very much doesn't want DEF Drug Company or
12 HJK Drug Company to know that they're expanding a
13 given facility or how or when that facility will be
14 open. So...

15 JUDGE SAINSOT: So you're keeping this even on
16 the confidential version secret?

17 MR. RIPPPIE: No. No. It should be on the
18 confidential version.

19 JUDGE SAINSOT: Well, that's what I'm saying.
20 I -- this is the confidential version and it's got
21 all these X's on it, kind of like Roman numerals.
22 And I'm sure I'm just missing something.

1 Maybe it's the reverse?

2 But the attachment that's confidential
3 and proprietary has the X's on it. And I think the
4 attachment that -- let me just see.

5 MR. RIPPIE: We're going to have to investigate
6 this.

7 JUDGE SAINSOT: Right. Why don't we talk about
8 it after we're --

9 MR. FOSCO: And the only thing that was
10 redacted, your Honor, was that one column.

11 JUDGE SAINSOT: Right, the column that says
12 what the project is about.

13 MR. FOSCO: The name.

14 JUDGE SAINSOT: Yeah. Right.

15 THE WITNESS: Do you want to refer to it as
16 13507?

17 BY MR. SAGONE:

18 Q Actually that was all the information we
19 need on that. Thank you.

20 A Okay.

21 Q I'd like to direct you now to Page 9 of
22 your surrebuttal testimony, Lines 183 to 193. And

1 there you discuss three projects that you described
2 as complete, but did not have dollars closed to plant
3 in service in 2011; is that correct?

4 A Mm-hmm. Yes.

5 MR. SAGONE: Your Honor, if I could have a
6 minute.

7 (Whereupon, a discussion was had
8 off the record.)

9 MR. SAGONE: Sorry, your Honor.

10 BY MR. SAGONE:

11 Q Ms. Blaise, just to clarify, three projects
12 to which you refer are ITN 42316, ITN 46116 and ITN
13 43236; is that correct?

14 A Before I refer to those ITNs in my
15 testimony.

16 MR. FOSCO: Counsel, are you referring to the
17 ones that are referred to in Schedule 19.1?

18 MR. SAGONE: Yes, the three projects that she
19 refers to here.

20 THE WITNESS: Do you have the ITN numbers
21 again?

22

1 BY MR. SAGONE:

2 Q Sure. It's ITN 42316, 46116 and 43236.

3 A Okay. Okay. Yes.

4 Q And can you explain what you mean by the
5 description "complete but did not have dollars closed
6 to plant in service in 2011"?

7 A We -- normally when a project is complete
8 in service, meaning it's electrically connected, the
9 project is considered as in service. Those projects
10 were in service and op- -- you know, ready to operate
11 as designed by the end of 2011.

12 Q So those are in service?

13 A They were in service at the end of 2011.

14 Q I'm sorry. I didn't quite hear the last
15 part.

16 In 2011, you said?

17 A They were electrically in service at the
18 end of 2011, that's correct.

19 Q And do you know when in 2011 that was?

20 A I don't have the exact date with me, no.

21 Q I'd like to direct you now to Page 6 of
22 your surrebuttal testimony, Lines 116 through 118.

1 A Mm-hmm.

2 Q In there you state, I have not proposed to
3 add a single project to ComEd's projections of 2011
4 plant additions; is that correct?

5 MR. FOSCO: Counsel, are you on rebuttal or
6 surrebuttal?

7 MR. SAGONE: Surrebuttal.

8 JUDGE SAINSOT: So that's 26.0?

9 MR. SAGONE: Yes.

10 MR. FOSCO: And did you say -- I'm sorry. I
11 might have got the wrong line number. I thought you
12 said 116 to 118.

13 Was that a different line?

14 THE WITNESS: This is Page 6 of 17?

15 BY MR. SAGONE:

16 Q Give me just a minute.

17 MR. SAGONE: If you can give me just a moment.

18 JUDGE SAINSOT: Sure.

19 BY MR. SAGONE:

20 Q My apologies. I had the wrong cite there.

21 I would actually direct you to
22 Lines 281, Page 13 of your surrebuttal -- actually

1 starting with Line 280.

2 And you state there, This is not my
3 position and I have not proposed to add a single
4 project to ComEd's projection of 2011 plant
5 additions; is that correct?

6 A Correct.

7 Q Does that mean all plant additions that
8 ComEd implemented in 2011 were included in the 2011
9 plant additions forecast?

10 A So I'll refer to the sentence before that
11 where she is suggesting that under my position, any
12 potential disallowance would simply be met with a
13 replacement project.

14 So what we -- what I talked about in
15 both my direct testimony and the surrebuttal is we
16 have a proposed forecasted plant addition that
17 includes known projects and what we expect to spend
18 and what the budget is for those projects. And there
19 are also unplanned projects. I talked about new
20 business before. We make a forecast and a plan on
21 new customers that are coming in service and what
22 those customers are. We may have more new business

1 we have an obligation to serve. So if we have more
2 new business, we'll spend more than we planned for
3 that year in new business to provide service to
4 customers. We may have more storms in one year than
5 what we planned for.

6 So some of those costs would be maybe
7 more than what we had seen in our forecast. That's
8 what happened in 2011.

9 Q So if I'm understanding you correctly, then
10 that means that not all the plant additions that
11 ComEd implemented in 2011 were included in the 2011
12 plant additions forecast; is that correct?

13 A That's correct.

14 Q Can you tell me how many plant additions
15 there were in ComEd's 2011 capital plant additions
16 forecast?

17 A How many? I can tell you the total dollars
18 were in my testimony.

19 JUDGE SAINSOT: Take your time, Ms. Blaise.

20 THE WITNESS: I think the total plant
21 admissions that we had in the forecast was 68.4.

22

1 BY MR. SAGONE:

2 Q I'm sorry. 6...?

3 A 684.4. I'm still looking for it here.

4 JUDGE SAINSOT: That would be in the millions

5 or something?

6 THE WITNESS: In millions -- sorry -- yes.

7 I'm sorry. It's Exhibit 5.2. I'm

8 sorry. Our jurisdictional plant in service

9 projection was \$684,430,511.

10 BY MR. SAGONE:

11 Q I'm sorry. So that was 684,430,111?

12 A No. 684,430,511.

13 Q Okay. And how many capital plant additions

14 did ComEd complete in 2011?

15 A The total number? I don't have the total

16 number of different projects offhand, but we...

17 Q Would you have a cost estimate?

18 A Excuse me?

19 Q A cost estimate, by any chance?

20 A A cost estimate?

21 Q Like how much --

22 MR. FOSCO: You're asking her what the amount

1 of actual plant additions were for 2011?

2 MR. SAGONE: For 2011, yes.

3 THE WITNESS: Wasn't that the number, 684 --

4 MR. FOSCO: For 2011.

5 THE WITNESS: For 2011, yes.

6 MR. FOSCO: Actuals.

7 THE WITNESS: Oh, I'm sorry. The actuals.

8 That's in my Exhibit 17 surrebuttal.

9 MR. FOSCO: If counsel wouldn't object, I could

10 refer to the exhibit I found.

11 THE WITNESS: Could you.

12 MR. FOSCO: Okay. 26.1.

13 THE WITNESS: Thank you.

14 JUDGE SAINSOT: And where on 26.1?

15 THE WITNESS: 26.1, Tab 1, the actuals were

16 753 -- 753,542,386.

17 MR. SAGONE: Thank you, Ms. Blaise. I have

18 nothing further at this time.

19 JUDGE SAINSOT: Could you repeat that,

20 Mr. Sagone. I'm sorry.

21 MR. SAGONE: I have no further questions at

22 this time.

1 JUDGE SAINSOT: Okay. CTA -- I take it Metra
2 has no questions or you're going to ask them?

3 MR. BALOUGH: Metra has no questions. And,
4 your Honor, we have no questions.

5 JUDGE SAINSOT: Okay. Redirect?

6 MR. FOSCO: Could I have just a minute?

7 JUDGE SAINSOT: Of course.

8 MR. FOSCO: We have no redirect, your Honor.

9 JUDGE SAINSOT: Well, thank you, Ms. Blaise.
10 You can step down.

11 MR. RIPPPIE: Your Honors, before we adjourn for
12 the day, if I could just ask for one point of
13 clarification I believe I understand, but it's --
14 under the circumstances, I hope you'll agree we need
15 to be -- I need to be sure that I understand.

16 Your Honors' ruling strikes the
17 entirety of Chairman Box' proposed testimony, is that
18 correct, on the grounds that it's legal opinion?

19 JUDGE SAINSOT: Yes.

20 Well, I suppose we could leave in, My
21 name is Charles Box, but...

22 MR. RIPPPIE: Well, the reason I ask that is

1 because the three motions in question request on that
2 ground striking the portion after Line 74 and there
3 are questions before Line 74 other than the
4 introduction.

5 I mean, I can quote the relevant parts
6 of the motion; but if your Honors concluded that the
7 rest of it constituted opinion, too, that's why I was
8 asking.

9 JUDGE SAINSOT: Okay. Anything before Line 74
10 that's not legal argument, is not really relevant.
11 So it all should go.

12 However, I will emphasize that just in
13 the case with the -- Mr. Hemphill, if it's legal
14 argument, it can go in a brief or a motion or
15 anything else. It's just -- subject to the other
16 qualifications, of course. I'm not giving you
17 blanket go ahead; but I'm just saying, I'm not -- we
18 don't intend to prevent you from making any legal
19 argument that you could based on what he put in
20 there.

21 It's all clear now?

22 MR. RIPPIE: Yes.

1 JUDGE SAINSOT: Thank you. Can we talk about
2 this --

3 MR. RIPPIE: Except I think it's Hempling, not
4 Hemphill.

5 JUDGE SAINSOT: Okay. I wondered why
6 Mr. Hemphill gave me a nice look. All right. Yes.
7 Thank you.

8 Yeah, I just want to -- the
9 attachments to Ms. Blaise's testimony -- I think it's
10 26.0 -- maybe I'll just have you take a look at
11 what's confidential and proprietary and what's not,
12 and 26.1, actually. I'm confused.

13 Okay. We could do that off the
14 record.

15 (Whereupon, a discussion was had
16 off the record.)

17 (Whereupon, CTA/Metra Joint
18 Exhibit Nos. 1.0, 1.1, 1.2,
19 2.0, 3.0 and 3.1 were marked
20 for identification, as of this
21 date.)

22 MR. BALOUGH: Your Honors, on behalf of the

1 Chicago Transit Authority and Metra, we have prefiled
2 the direct testimony of James G. Bachman and it's
3 been identified as CTA/Metra Joint Exhibit 1.0.
4 Attached to it are two attachments, 1.1 and 1.2.

5 We also have prefiled this affidavit
6 for his direct testimony, which has been marked as
7 2.0. Mr. Bachman filed rebuttal testimony, which was
8 marked as 3.0. And we have prefiled his affidavit,
9 which is 3.1.

10 Your Honor, I have three copies of
11 that, one for you and a copy for the court reporter,
12 which I would like to tender at this time.

13 Your Honor, on behalf of CTA and
14 Metra, we would offer these exhibits.

15 JUDGE SAINSOT: Okay. So you basically have a
16 bundled copy there? Three copies?

17 MR. BALOUGH: Three copies.

18 JUDGE SAINSOT: Okay. Any objection to the
19 admission of CTA/Metra Exhibits 1.0, 1.1 and 1.2 with
20 the accompanying affidavit 2.0 and CTA/Metra rebuttal
21 3.0 and 3.1?

22 MR. RIPPPIE: No objections here.

1 JUDGE SAINSOT: Okay. Hearing none, your
2 motion is granted, Counsel. Thank you.

3 (Whereupon, CTA/Metra Exhibit
4 Nos. 1.0, 1.1, 1.2, 2.0, 3.0
5 and 3.1 were admitted into
6 evidence.)

7 MS. McNEILL: Your Honors, if we're taking care
8 of some administrative matters, Staff has two
9 witnesses that have prefiled affidavits as well, if
10 you -- or we can do them at another time.

11 JUDGE SAINSOT: You know, with Staff, it's just
12 a little confusing because of the binders.

13 Could we do that tomorrow or --

14 MS. McNEILL: We sure can.

15 JUDGE SAINSOT: Because you'll be around
16 anyway.

17 MS. McNEILL: Absolutely.

18 JUDGE SAINSOT: I mean, don't get me wrong, we
19 love the binders; but I'm just saying that it gets...

20 MS. McNEILL: Sure.

21 JUDGE SAINSOT: Okay. Now, where was I?

22 Is there anything else?

1 So it's really just this testimony
2 that's confusing -- or exhibit that's confusing me
3 that we...

4 MR. RIPPPIE: And, your Honors, we'll
5 investigate about the redaction marks on C and P
6 version and be prepared to report back.

7 JUDGE SAINSOT: Well, do you want me to show
8 you what I have?

9 MR. FOSCO: No, we -- we know.

10 JUDGE SAINSOT: You know? Okay.

11 MR. RIPPPIE: We do now. We need to
12 investigate.

13 JUDGE SAINSOT: Okay. I mean, you probably
14 just need to change the labels, but it just was...

15 MR. FOSCO: I agree, I think we might end up
16 refiling that document.

17 JUDGE SAINSOT: All right. Well, have good
18 afternoon, everybody.

19 MR. FOSCO: Thank you.

20 MR. RIPPPIE: Thank you.

21 JUDGE SAINSOT: Thank you.

22

1 (Whereupon, the above-entitled
2 matter was continued to
3 March 9th, 2012, at 9:30 a.m.)
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